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ABSTRACT

This report examines the effectiveness of employment and training programs in Minnesota and discusses the impact of the 1985 Jobs Bill state legislation. Chapter 1 provides an introduction to Minnesota's programs and to studies of employment and training programs conducted nationwide. Chapter 2 studies the use of Job Training Partnership Act funds in Minnesota. Focus is on the Title II-A basic services component; the Title II-B summer youth component is also discussed. Chapter 3 evaluates two wage subsidy programs: the state-funded Minnesota Employment and Economic Development program and the federally funded Targeted Jobs Tax Credit program. Chapter 4 reviews the role and performance of the Job Service as it has carried out its primary mission of serving as a labor exchange. Chapter 5 examines programs that exclusively serve public assistance recipients. Chapter 6 presents overall conclusions about Minnesota's employment and training programs. It recommends that the state should develop a strategy for effectively using existing employment and training resources, the state should improve coordination among programs, changes should be considered to improve the effectiveness of employment and training programs, the state should maximize use of federal funds, the state should monitor and evaluate program effectiveness, and greater legislative oversight of programs is needed. (YLB)

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Employment and Training Programs

March 1987

Program Evaluation Division
Office of the Legislative Auditor
State of Minnesota

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

March 6, 1987

Members
Legislative Audit Commission

In April 1986, the Legislative Audit Commission directed the Program Evaluation Division to evaluate employment and training programs in Minnesota. Many legislators were concerned about how state and local agencies were implementing the 1985 Jobs Bill and how well job programs were targeted and coordinated.

Our study focused on major job programs such as the federal Job Training Partnership Act and the state wage subsidy program, as well as numerous specialized programs designed primarily for welfare recipients. Wherever possible, we examined data showing client participation rates and success in job placement. However, a lack of reliable information on program performance presented serious obstacles to our research.

We found that, while many programs provide job search assistance, too few provide intensive training for those who lack basic skills. We conclude that Minnesota needs to develop a strategy for targeting its programs to various client groups and for improving program coordination.

We would like to thank the management and staff of the Department of Jobs and Training, the Department of Human Servies, and the Office of Full Productivity and Opportunity. We also received the full cooperation of local service providers and county social service agencies.

This report was prepared by Pat McCormack, Jo Vos, and John Yunker (Project Manager), with assistance from Debra Burns and Susan Job.

Sincerely yours,

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Employment and Training Programs

March 1987

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Executive Summary

In 1985, the Legislature significantly altered the organizations overseeing and administering employment and training programs in Minnesota. The 1985 Jobs Bill realigned the responsibilities of state agencies, established a new state office to coordinate all the programs, and gave local governments a greater say in how certain program funds are spent. The legislation also established the reduction of welfare caseloads and unemployment rates as the primary goals of the state's employment and training programs. It envisioned the development of a strategy for more effectively using available resources and for increasing coordination among and co-location of existing programs.

This report examines the major state and federal employment and training programs operating in Minnesota, including the Job Training Partnership Act (JTPA), the Minnesota Employment and Economic Development (MEED) wage subsidy program, the Job Service, and a variety of programs that serve public assistance recipients. We also review the state's progress in implementing the 1985 Jobs Bill. The report focuses on the following questions:

- In light of what existing research suggests about the effectiveness of employment and training programs, does the state have an adequate strategy for targeting resources to client groups who would benefit the most?
- Are resources used to provide the most effective services for clients?
- Does the state adequately coordinate the many employment and training programs?
- Should any existing programs be redesigned or targeted so that their effectiveness is improved?
- Is the state maximizing the use of federal funds when possible?
- Does the state have appropriate management information systems for evaluating job programs? Are these systems appropriately used to monitor and evaluate programs?

Overall, we found that the state needs to make significant improvements in its employment and training programs. In addition, implementation of the 1985 legislation has been slow and has sometimes faltered. However, state agencies have generally worked diligently and cooperatively in implementing the legislation. Implementation has been slowed in part because of the lack of funding for some new programs and the scope of the changes passed in 1985.

Our findings are outlined below. In addition, we provide recommendations for improving program effectiveness and coordination.

A. STRATEGY

First, we find that:

- The state needs to develop a strategy for effectively using existing employment and training resources.

Currently, resources are concentrated on providing job search assistance and directed at people who are more job-ready. A number of different programs offer similar services. Existing programs fail to reach many of the more disadvantaged, including those who are or are likely to become long-term public assistance recipients. As a result, the current uses of available resources are not likely to have much impact on welfare caseloads.

Research suggests that among the most effective programs are those which provide more intensive services, such as classroom occupational training, and focus on more disadvantaged clients. In addition, research indicates that it makes sense to target potential long-term welfare recipients for services rather than primarily serving the more job-ready recipients.

The state's strategy also needs to recognize regional differences within Minnesota. In the Twin Cities metropolitan area, it is appropriate to emphasize occupational training and job search assistance because the economy is strong. In parts of the state with a depressed economy, these services are less useful because jobs are scarce. In depressed areas, economic development is needed before those programs can be successful. Wage subsidies and subsidized on-the-job training can be more useful programs in outstate Minnesota.

B. COORDINATION

The state also needs to improve coordination among various programs. Currently:

- Too many programs try to do the same thing--provide job search assistance to people who are job ready or nearly so.

- Too few programs provide intensive services to clients lacking an adequate education or recent work experience.

Taken together, programs need to provide a greater continuum of services so that clients receive services appropriate to their needs. Currently, individual programs sometimes fail to refer clients to other programs with more appropriate services. Ideally, more job-ready clients should be assisted by the Job Service, while less job-ready clients should receive more intensive services like classroom or on-the-job training from programs such as JTPA.

Coordination is limited because different programs have different geographic boundaries and different legal authorization. In addition, different programs may compete with one another and that competition can limit future cooperation. For example, in areas where JTPA administrators and local Job Service offices have competed for MEED contracts awarded by counties, the competition at times has been intense.

The 1985 legislation sought to address coordination problems by encouraging co-location of programs. There are two levels of co-location: one with all job programs co-located together and the other with all job programs co-located with county welfare offices.

Little co-location of either type has occurred. Some exists where county governments are administering both the JTPA and MEED programs, but co-location of Job Service and WIN offices with other programs occurs less frequently.

The limited amount of co-location is due in large part to two factors. First, the Jobs Bill did not provide any funds to encourage co-location. Service providers have little incentive to co-locate if it requires them to spend additional money to lease or buy different facilities or to underutilize existing facilities they own. Second, the co-location of Department of Jobs and Training offices is constrained by existing lease contracts. The department plans more co-location in the future as its five-year leases expire.

However, even where co-location of job programs has occurred, we found it often is little more than physical proximity. As long as different programs are managed by different agencies, the level of coordination is minimal.

As a result, it is extremely important that the mission of programs be clear and links among programs be strong. We recommend that:

- The state should develop a clear plan for the types of clients each program should serve and the types of services to be provided. In addition, each program should have clear guidelines for referring clients it does not serve to programs providing appropriate services.

C. PROGRAM CHANGES

We also recommend that a number of specific changes be considered in order to improve the effectiveness of employment and training programs. First, we recommend that:

- An increasing share of JTPA Title II-A funds should be used to prepare AFDC, General Assistance, and Work Readiness recipients for employment.

- JTPA resources allocated for AFDC recipients should be targeted to those who are likely to be long-term recipients.

- Much greater emphasis should be placed on tying remedial education to summer youth employment programs offered under JTPA Title II-B.

The Governor's Job Training Council has taken some steps to redirect JTPA resources. For example, the council has directed that half of the state's six percent incentive funds be awarded to service delivery areas based on their service to public assistance recipients. The council has also established public assistance recipients as the top priority group for the eight percent education coordination funds controlled by the state.

However, most JTPA funds are controlled by private industry councils established under federal law. Accomplishing a greater targeting of JTPA funds to potential long-term AFDC recipients probably will require additional strategies. For example, the state may need to provide additional resources as incentives for private industry councils to alter the manner in which JTPA funds are spent.

Second, we recommend that:

- The Legislature should address the reasons why most counties have not used AFDC Grant Diversion thus far.

Currently, counties have few incentives to set up and use Grant Diversion programs to subsidize private jobs for AFDC recipients. The costs of administering Grant Diversion exceed the county's share of AFDC benefits that are saved by placing a recipient in a job. In addition, the state has set the minimum wage rate required for Grant Diversion jobs higher than most available jobs in outstate Minnesota. As a result, service providers are using state MEED funds to subsidize jobs rather than leveraging federal funds through Grant Diversion. Ironically, MEED wage subsidies are often provided for jobs paying less than the minimum permitted for Grant Diversion.

Third, we recommend that:

- The Legislature should examine possible ways of improving the job creation potential of the MEED wage subsidy program.

MEED is better designed for job creation than most wage subsidy programs tried elsewhere, particularly tax credit schemes. However, it appears that fewer than half of all MEED-subsidized jobs represent actual employment growth rather than an employment shift or a windfall to an employer.

One option would be to limit the types of businesses that could receive a wage subsidy. For example, dropping retail businesses from the program probably would limit the extent to which increased employment at subsidized businesses is offset by decreased employment at competing businesses.

Fourth, we recommend that:

- The Legislature should clarify the role of programs providing temporary public jobs.

Confusion exists over the distinction between public MEED jobs and Community Investment Program (CIP) jobs. Some suggest that the intent of the Jobs Bill was that the only temporary public jobs funded by MEED would be in CIPs. Some counties prefer to use the state-funded MEED program because they must pay 25 percent of CIP wages.

The primary goal of public MEED, CIPs, and possibly Community Work Experience Programs is to provide work experience to welfare recipients or other clients who lack recent work experience. A temporary public job may ultimately enable a client to obtain a permanent private sector job.

Currently, however, little is done to track what happens to these clients after the temporary jobs end. As a result, little is known about the effectiveness of public work experience programs in Minnesota. Because research indicates that work experience programs often are ineffective, it is important that the Legislature ensure that state agencies track clients of these programs.

Finally, we recommend that:

- The Legislature should reexamine the minimum length of services provided to Work Readiness recipients and the adequacy of program funding.

D. OTHER FUNDING SOURCES

We recommend that:

- The state should maximize the use of federal funds.

This can occur in at least four areas. First, as previously mentioned, the state needs to find ways to expand the use of Grant Diversion. Leveraging federal funds through Grant Diversion when possible rather than using MEED would save money for the state.

Second, the federal government will fund 50 percent of the costs of an employment search program for AFDC recipients. This program should be expanded beyond its current use, which is limited to participants in Community Work Experience Programs. This would help free other resources to provide more extensive services to AFDC recipients.

Third, the federal government will also now provide 50 percent reimbursement for the new Food Stamp Employment and Training Program. The Department of Jobs and Training is considering using this program to help provide services to Work Readiness participants.

Finally, the state needs to make better use of the federally-funded Targeted Jobs Tax Credit program. Better and more aggressive marketing, as well as greater utilization of service providers besides the Job Service, would help maximize the benefits available to Minnesotans at little expense to the state.

E. EVALUATION AND MANAGEMENT INFORMATION

Over the next several years, the state will need to monitor and evaluate the effectiveness of employment and training programs to ensure that the goals of the Jobs Bill are met. This will require a clear directive as to what agency is responsible for evaluation, authority for that agency to require necessary data collection and reporting, and better use of management information systems.

The appropriate agency to conduct evaluations, or at least direct their preparation, is the Office of Full Productivity and Opportunity. We recommend that:

- The Office of Full Productivity and Opportunity should begin to evaluate the state's employment and training programs.

In order for the office to evaluate programs, it will need authority to require data collection. Accordingly, we recommend that:

- The Legislature should provide the Office of Full Productivity and Opportunity with authority to require program administrators to collect and report data necessary for evaluation.

This authority should be used judiciously, of course. The office should balance the need to collect data for evaluation purposes with the need to minimize administrative costs.

Finally, we recommend that:

- The state, especially the Department of Jobs and Training, should make better use of existing management information systems.

For example, the department has collected a great deal of information on JTPA participants and the outcomes of their participation. However, the

department does not have the capability to analyze the data. As a result, information that would be useful in evaluating the effectiveness of different JTPA services for various client groups is being collected but not used. The same is true of data the department is collecting from MEED service providers.

According to department management, some of these problems could be addressed if legislation is passed making state benefit calculations for unemployment insurance the same as federal standards. Conformity could free up some federal funds which could be used to improve computer operations and to meet, in part, the management information needs of other programs such as JTPA and MEED. However, conformity would result in delays in receiving unemployment insurance benefits for some Minnesotans.

F. LEGISLATIVE OVERSIGHT

Employment and training programs traditionally have not received much attention from the Legislature. Because many of the programs are federally funded, the review of these programs for state budgetary purposes has not been a priority.

We believe, however, that greater legislative oversight of these programs is needed for several reasons. First, greater oversight is needed to assure that the state develops an appropriate strategy and that coordination among the various programs is achieved in a timely manner.

Second, as we recommended above, there is a current need for legislative redesign of certain programs. As the state learns more about the relative effectiveness of its programs, additional legislative changes likely will be needed.

The Jobs Bill was only a necessary first step. Program redesign and coordination will continue to be important issues in the next several years.

Introduction

Chapter 1

Employment and training programs have a relatively long history in the United States. Federal programs over the last 25 years include but are not limited to: the Manpower Development and Training Act of 1962, the Job Corps, the Comprehensive Employment and Training Act of 1973, the Supported Work Demonstration, the Youth Employment and Demonstration Act of 1977, the Work Incentive program, the Targeted Jobs Tax Credit, and the Job Training Partnership Act of 1982.

In recent years, states have shown an increasing interest in exercising more control over federal programs they administer as well as establishing their own state employment and training programs. This interest stems from concern about unemployment rates and the increasing costs of public assistance.

In response to these concerns, the 1985 Minnesota Legislature enacted legislation intended to:

- reduce the unemployment rate, and
- decrease the income maintenance caseload.

This legislation, often referred to as the 1985 Jobs Bill, sought to accomplish its goals by:

- establishing a new Department of Jobs and Training with broader responsibilities for linking employment and training programs to income maintenance programs than existed under the previous Department of Economic Security;
- creating a new agency, the Office of Full Productivity and Opportunity, with responsibility for developing a strategy for more effectively utilizing state, federal, local, and private resources; and

- giving local government (counties and cities of the first class) greater ability to address the problems of the unemployed and those on public assistance.[1]

This report examines the effectiveness of employment and training programs operating in Minnesota and provides a timely account of the impact of the 1985 legislation thus far. This chapter provides an introduction to Minnesota's programs and to studies of employment and training programs conducted nationwide. The chapter is presented in four parts. The first two provide a brief overview of the state's major job programs and describe the regulatory and service delivery framework in which the programs operate. The third part summarizes the literature that exists on the effectiveness of employment and training programs. The final section outlines the major issues addressed in the other chapters of this report.

A. EMPLOYMENT AND TRAINING PROGRAMS IN MINNESOTA

Minnesota has many state and federal employment and training programs. Below we list the state's major job programs, their target groups, and their source of funding.

1. JOB TRAINING PARTNERSHIP ACT

In 1982, Congress passed the Job Training Partnership Act (JTPA) to replace the Comprehensive Employment and Training Act (CETA). JTPA is intended to serve youth and unskilled adults who are economically disadvantaged or who face other barriers to employment. Target groups include recipients of Aid to Families with Dependent Children (AFDC), families with earnings lower than 70 percent of the poverty standard, veterans, older workers, high school dropouts, dislocated workers, in-school youth, offenders, handicapped persons, displaced homemakers, and others. Typical services include career counseling, skills assessment, job search assistance, vocational instruction, remedial education, on-the-job training, and work experience. Minnesota's 1985 JTPA allocation from the federal government was $44.8 million.

2. MINNESOTA EMPLOYMENT AND ECONOMIC DEVELOPMENT WAGE SUBSIDY PROGRAM

In 1983, with an initial appropriation of $70 million, the Legislature established the Minnesota Emergency Employment Development program to help address the severe economic and unemployment problems that the state was experiencing. The program provided wage subsidies to public agencies and private businesses hiring eligible unemployed people.

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[1]The 1985 Jobs Bill was contained in a larger bill dealing primarily with tax laws. See 1985 Laws of Minnesota, First Special Session, Chap. 14, Article 9.

In 1984, the Legislature appropriated an additional $30 million and increased the program's emphasis on private sector jobs. The Legislature also placed more emphasis on serving people eligible for General Assistance in areas with lower than average unemployment rates.

The 1985 Legislature extended the program, changed its name to the Minnesota Employment and Economic Development (MEED) program, and added two new priority groups. Beginning on January 1, 1986, MEED became a permanent state program which serves: applicants with no other household income, people eligible for General Assistance or Work Readiness, people eligible for Aid to Families with Dependent Children (AFDC), farm households able to demonstrate severe financial need, and other eligible unemployed people. The AFDC, Work Readiness, and farm priority groups were added by the 1985 Legislature.

The program encourages employers to hire and retain MEED participants by making available wage and fringe benefit subsidies up to $5 an hour for a maximum of 26 weeks. If an employee is retained for one year after the subsidized period, the subsidy need not be repaid; if an employee is not retained, private employers must repay a portion of the subsidy. The 1985 Legislature appropriated $27 million for the new MEED program.

3. JOB SERVICE

Job Service administers and operates a basic labor exchange pursuant to the federal Wagner-Peyser Act. The costs of providing this service are approximately $12 million annually and are paid entirely from federal funds. These funds are based on Minnesota's share of the nation's total labor force and unemployed workers.

The Minnesota Job Service operates the statewide Job Bank System which lists daily job openings by geographic area throughout the state. Other services include employment and career counseling, vocational testing, and technical services to employers. There are currently 56 Job Service offices across the state.

4. WORK INCENTIVE PROGRAM

The Work Incentive (WIN) program is the federal government's main welfare employment program. The program applies to able-bodied AFDC recipients with children six years or older, and to children 16 years and over who are not in school.

WIN is jointly administered under federal regulations by the Department of Human Services and the Department of Jobs and Training. WIN is intended to help AFDC recipients get jobs while reducing the cost of the AFDC program. WIN services include job search and placement assistance, necessary support services, and, to a lesser degree, work experience and job training. WIN's 1986 budget for employment activities was $3.9 million; an additional $1.4 million was allocated for support services. Ninety percent of WIN's budget comes from the federal government and 10 percent comes from the state.

5. COMMUNITY WORK EXPERIENCE PROGRAM

The Community Work Experience Program (CWEP) is administered by the Department of Human Services. It is largely a federal "workfare" program that requires employable AFDC recipients to work off portions of their grants in unpaid jobs. In recent years the federal government has encouraged states to use this type of program, and the Minnesota Legislature created a demonstration project in 1983. Currently, seven Minnesota counties participate in CWEP. In 1985, CWEP expenditures totaled approximately $200,000, mostly from federal and county sources.

6. NEW INITIATIVES

Several new programs were created by the 1985 Legislature, including Work Readiness, Grant Diversion, Supported Work, Community Investment Programs, the Entrepreneurial Program, and the Transitional Training Program. These programs are in varying stages of implementation.

a. Work Readiness

The Work Readiness program is designed to get people off General Assistance (GA) and into the work force. GA recipients who are not exempt from the program are required to attend Work Readiness training or lose their grants. The 1985 Legislature appropriated $7.0 million for the 1986-1987 biennium for Work Readiness.

b. Grant Diversion

Grant Diversion is a process by which participating AFDC, General Assistance, or Work Readiness recipients' grants are diverted to pay for subsidized on-the-job training or job placement. County human service offices are supposed to work with WIN, JTPA or MEED offices to develop subsidized employment for willing participants. Thus far, 17 counties have set up Grant Diversion programs for AFDC recipients, although not all have actually used the program. One county has set up a Grant Diversion program for General Assistance and Work Readiness participants.

c. Supported Work

Supported Work programs are intended to help AFDC recipients make the transition from prolonged economic dependence (have been receiving AFDC for over three years) to independence through employment. Two local service providers recently implemented Supported Work programs for long-term AFDC recipients.

d. Community Investment Programs

County boards are encouraged to establish Community Investment Programs (CIPs) to provide temporary subsidized employment to people experiencing prolonged unemployment and economic hardship. CIPs must provide work experiences beneficial to both the community and the client, and must not displace existing jobs. Counties are required to have CIPs in order to be eligible to receive wage subsidy funds from the MEED program.

e. Entrepreneurial Program

The Commissioner of Jobs and Training is required to establish a pilot program to enable low-income people to start or expand self-employment opportunities or home-based businesses. The pilot program is to be established in cooperation with the Commissioners of Human Services and Energy and Economic Development. The pilot program has been designed, but not yet implemented.

f. Transitional Training Program

The Department of Jobs and Training is required to establish a training program for structurally unemployed workers. This program would be funded in part with unemployment compensation benefits. The department is currently operating a small pilot program.

7. OTHER STATE PROGRAMS

In addition to the above programs, a number of other job programs are offered in the state. They include the following:

a. Minnesota Youth Employment

This program provides summer jobs for youth ages 14-21. The program is administered by Job Service and operated through local contractors. For the summer of 1985, $2.3 million was spent to employ over 2,800 youth. Slightly more than one-half of the youth had family incomes below the federal poverty level. For fiscal year 1986, the state allocated approximately $2.0 million to provide over 2,000 jobs for Minnesota youth.

b. Youth Conservation Corps

This program is administered by the Department of Natural Resources and provides conservation-related jobs to youth ages 16-26. The department employed approximately 140 youths during the 1986 summer with a budget of $370,000.

c. State Agency Summer Jobs Program

Summer jobs with state agencies are available for Minnesotans of all ages. First priority for hiring is given to self-supporting students, unemployed heads of households, and people whose family members are all unemployed. The next hiring priority is people from families with incomes below the federal poverty standard. Approximately 3,000 such jobs are available throughout the state system.

d. Job Skills Partnership

Created by the 1983 Legislature, this program provides funds to help sponsor training programs developed cooperatively by industry and training institutions. The target population includes displaced workers, workers

with outdated skills, recipients of public assistance, and displaced homemakers. Currently, 21 training projects are being operated throughout the state.

e. Displaced Homemaker Program

The Displaced Homemaker Program assists people who have lost their primary means of support, usually as a result of divorce or the death of a spouse. Services provided include career exploration, vocational and personal counseling, job search and placement help, and referrals for other support services. The Displaced Homemaker Program is funded through marriage license and divorce filing fees. The Department of Jobs and Training recently awarded approximately $788,000 to 10 Displaced Homemaker Programs to help almost 1,400 people find jobs and become self-supporting.

f. Targeted Jobs Tax Credit

This a federal program that provides a tax incentive to employers who hire from specific populations. Although the program terminated in December 1985, recent legislation extended the tax credit program for three more years.

g. Trade Adjustment Allowance

This federally funded program targets unemployed persons whose jobs were eliminated partly due to the impact of foreign imports. Services provided include training, job search, relocation allowances, and cash benefits. In 1985, $1.7 million was spent, mostly on job training for 400 to 500 people.

h. Opportunities Industrialization Centers

These centers provide comprehensive job training and related services for economically disadvantaged, unemployed, and underemployed people, including those with limited English-speaking skills. The three centers in Minnesota receive only limited funding from the state.

i. Food Stamp Work Registration

This federal program requires employable food stamp recipients to register with the nearest Job Service office in order to benefit from whatever services the office can provide. Job Service provides further job development services in selected counties under contract with the Department of Human Services. The latter program is funded with federal dollars; its 1986 budget was $566,400.

j. Apprenticeships

The Minnesota Department of Labor and Industry is the official registration agency for apprenticeship and on-the-job training programs in the state. It develops, reviews, revises, approves, registers, and inspects apprentice programs throughout the state.

B. DELIVERY SYSTEMS

Many state agencies are involved in delivering employment and training programs. This section introduces the state's three major participants: the Department of Jobs and Training, the Department of Human Services, and the Office of Full Productivity and Opportunity. This section also describes how services are organized and delivered on the local level through service delivery areas, local service units, and Job Service regions and areas.

1. DEPARTMENT OF JOBS AND TRAINING

The 1985 Legislature created the Department of Jobs and Training with a broad mission "to increase the economic independence of Minnesotans with special effort toward those who are currently unemployed or who face special disadvantages in the labor market."[2] The Legislature further directed the department to make "permanent unsubsidized full-time private or non-profit employment" its top service priority.[3]

The new department assumed responsibility for programs and services previously managed by other state agencies, in particular the Department of Economic Security. The department was further charged with linking employment and training programs with other services, such as temporary income replacement and income maintenance programs, unemployment compensation, vocational and post-secondary education, and economic development programs.

The Minnesota Department of Jobs and Training acts as both service provider and regulator of employment and training programs in the state. It does so through its Jobs, Training and Community Services Division. Figure 1.1 provides an organizational chart of the department.

As a service provider, the department, through its Job Service and Unemployment Insurance Office, directly operates the following programs: Job Service, WIN, Targeted Jobs Tax Credit, Food Stamp Work Registration, Older Workers, and Trade Adjustment Act. For the most part, these programs are provided through 56 branch offices throughout the state. Some of the offices offer a broad range of programs, such as Job Service, Unemployment Compensation, and WIN; others specialize in only one program. In addition, area offices can enter into contracts to deliver other programs they oversee, such as wage subsidy, Work Readiness, work experience, or JTPA.

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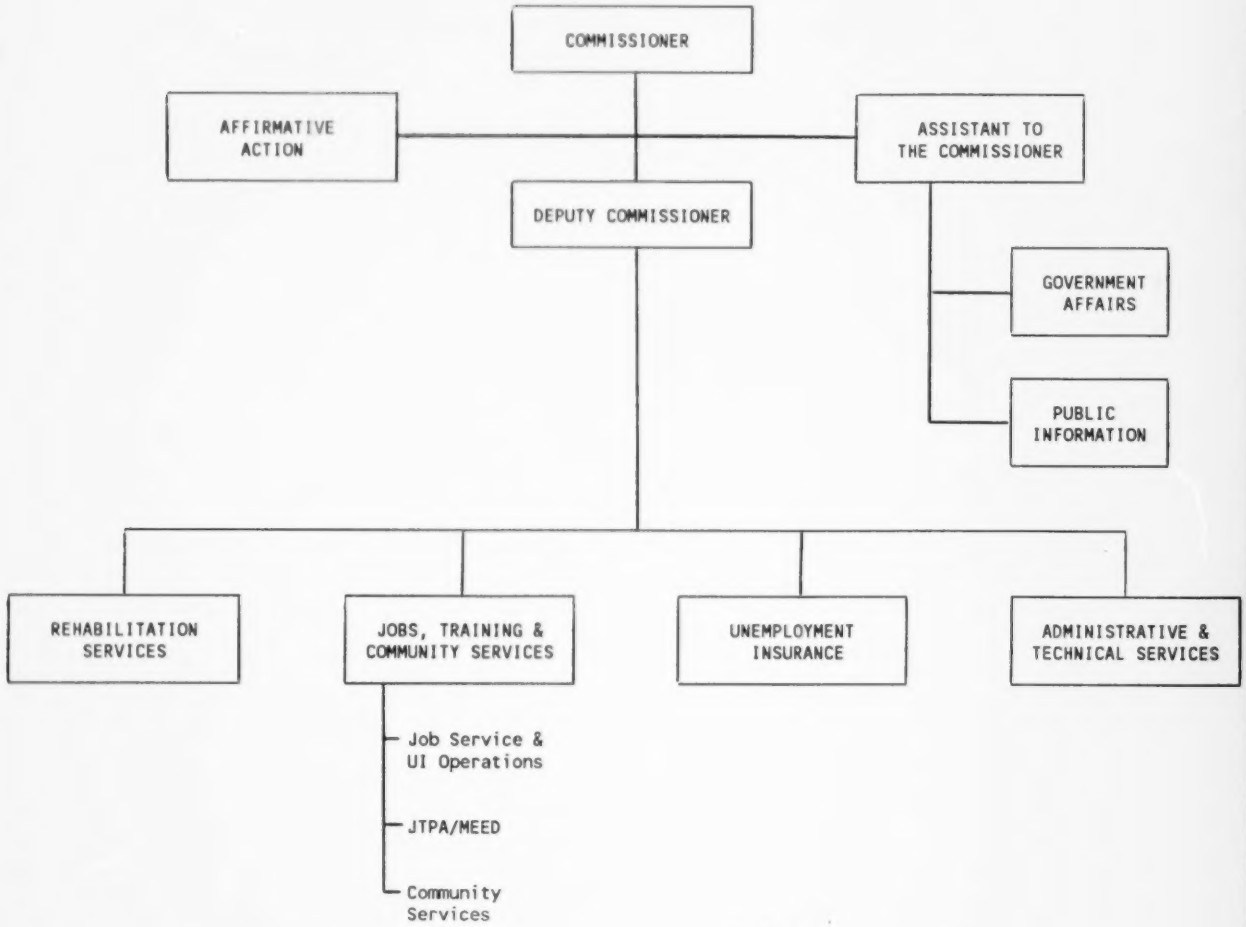
[2] 1985 Laws of Minnesota, First Special Session, Chap. 14, Article 9, Sec. 39, Subd. 1.

[3] 1985 Laws of Minnesota, First Special Session, Chap. 14, Article 9, Sec. 65, Subd. 2.

FIGURE 1.1

MINNESOTA DEPARTMENT OF JOBS AND TRAINING

ORGANIZATION CHART



Source: Minnesota Department of Jobs and Training, October 1985.

The department also acts as a regulator of employment and training programs through its role as fund allocator. The department receives and allocates funds for a number of programs: JTPA Education Coordination, Summer Youth Employment, Dislocated Workers, Displaced Homemakers, and MEED.

In addition to allocating funds, the office monitors and evaluates program operations. It also staffs the Governor's Job Training Council, a group which assists the Governor in coordinating and monitoring job training activities throughout the state.

The department provides or oversees the delivery of services through one of three geographic structures: service delivery areas, local service units, or Job Service regions and areas. The department allocates JTPA funds among 17 service delivery areas to provide services on the local level. Service delivery areas usually consist of cities of the first class, individual counties, or groups of counties.

The department allocates MEED funds to local service units to deliver the wage subsidy program. Local service units were created by the 1985 Jobs Bill to give counties some control over identifying their needs and designing services accordingly. Local service units can consist of individual counties, groups of counties, or cities of the first class.

Finally, Job Service activities are provided through another geographical framework. This network consists of 6 districts and 56 area offices; the geographical areas covered by these offices may overlap with service delivery areas and local service units. Each district office is staffed by a manager who is responsible for the actual delivery of department programs on the local level.

2. DEPARTMENT OF HUMAN SERVICES

The 1985 Jobs Bill called for close coordination between the Department of Jobs and Training and the Department of Human Services to reduce welfare by helping employable public assistance recipients find jobs. To aid in this effort, the Jobs Bill transferred the Department of Human Services' Work and Training Unit to the Department of Jobs and Training; actual duties, though, remain unchanged. The unit oversees the county delivery of all employment programs targeting public assistance recipients except WIN: Grant Diversion, CWEP, Supported Work, and Work Readiness. With the exception of Work Readiness, these programs receive no state funding; instead, some program costs are eligible for partial reimbursement as administrative costs under the AFDC program.

The Department of Human Services also administers a portion of the Work Incentive program. It is responsible for providing support services to AFDC recipients participating in WIN activities. For the most part, this is done by county social service staff ensuring that day care is available to those who need it.

3. OFFICE OF FULL PRODUCTIVITY AND OPPORTUNITY

Finally, the 1985 Legislature created the Office of Full Productivity and Opportunity to coordinate state services and programs to reduce unemployment rates and welfare caseloads. The office is responsible for coordinating the policies and administration of employment and training programs and income maintenance and support services among state agencies. Furthermore, it is responsible for reviewing the delivery, performance, effectiveness, and degree of integration of those services and programs throughout the state. The office is charged with developing a biennial plan to help achieve full economic productivity and opportunity in Minnesota. The first plan was issued in July 1986.

The office also monitors and evaluates the goals, performance and effectiveness of local service unit plans and services. Wage subsidy discretionary funds are distributed to local service units by this office.

Finally, the office is overseeing the development and administration of a common intake, referral, and inventory system for income maintenance and employment programs at the local level. It is also responsible for coordinating the various data bases and information systems of state agencies.

C. PREVIOUS RESEARCH

As we pointed out earlier, there has been a long and varied history of employment and training programs at the federal level. Resulting from this rich federal experience have been a large number of studies evaluating the benefits and costs of various programs. In fact, employment and training programs are among the most evaluated of all social programs.

This section provides a brief overview of the evaluation literature on employment and training programs. Two main points emerge:

- The effectiveness of a program cannot be measured simply by comparing the pre-program employment and earnings of program participants to their post-program employment and earnings. It is necessary to estimate what would have happened to participants in the absence of the program.

- Previous research provides some useful evidence about the relative effectiveness of various programs and about the type of clients for whom programs are likely to be effective. Generally, women and those who are more disadvantaged (less work experience and education) have been found to benefit the most.

1. MEASURING EFFECTIVENESS

At first glance, it would seem relatively easy to evaluate employment and training programs. With such basic information as the percentage of

program participants placed in a job and the change in their earnings after program participation, we could calculate the economic benefits of the program and compare them to program costs. Furthermore, it would be relatively easy to collect such data. Most program providers calculate a placement rate or similar statistic and many have information on the earnings of participants before and after the program. In fact, providers often use such information, particularly high placement rates, to persuade others that their programs are effective.

However, evaluating the effectiveness of employment and training programs is not that simple. Such information, while useful, may be misleading about the relative benefits of a program. High placement rates, and even significant earnings increases, may not be indicative of success. It is important to ask:

- What is the *net* impact of a program on the employment and earnings of program participants and society? How much more do individuals and society earn than they would have in the absence of the employment and training program?

If many program participants would have found jobs and increased their earnings without the government program, then the program did not have much economic impact. It is necessary to know what would have happened to program participants in the absence of government intervention.

Consequently, the most reliable studies are those that use a *control group*. Program applicants are randomly assigned either to a group that participates in the program or a control group that does not participate. The program's effects are isolated by comparing the subsequent earnings, employment, and welfare status of the participants to the control group.

Unfortunately, the number of studies using control groups is limited. Control group research requires the cooperation of program administrators as well as their willingness to determine randomly which program applicants will receive services.

As a result, most available research uses a *comparison group* rather than a control group. Use of a comparison group permits program administrators to determine who will be served by the program. The comparison group is selected from national data files and is structured so that characteristics of the comparison group closely match those of participants.

Research using comparison groups is clearly preferable to studies that use neither control groups nor comparison groups. However, comparison groups do not produce estimates of program effects that are as reliable as those obtained from control groups.[4]

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[4]See Robert J. LaLonde, "Evaluating the Econometric Evaluations of Training Programs with Experimental Data," *American Economic Review*, September 1986, pp. 604-620.

2. RESEARCH FINDINGS

Existing research provides some useful suggestions about the types of programs that are most effective and the client groups for whom they work best.[5] For example, research indicates that:

- Classroom training is perhaps the most effective program overall, producing significant and lasting increases in the earnings and employment of participants.

Classroom occupational training has raised the earnings of participants primarily by increasing the hours they work rather than increasing their wage rates. The longer the classroom training lasts, the greater positive effects it tends to have on earnings. In addition, completion of a training program and immediate job placement seem to be essential for participants to get the benefits of the program.

It should be noted that the effects of classroom training may be limited in depressed areas of the state. Participants of classroom training programs in depressed areas, no matter how well trained, will be less able to find local employment than participants living in economically healthy areas. Consequently:

- In economically depressed areas, wage subsidy programs and subsidized on-the-job training may be more effective to the extent that they are successful in stimulating overall growth in employment levels.

Research also indicates that:

- Employment and training programs have the greatest effect on those who are more disadvantaged. Persons with less work experience and education tend to benefit more.

Women generally have benefited more than men. In fact, it has sometimes been found that the earnings of men, and more job-ready participants in general, have been unaffected by various employment and training programs.[6] This finding results because the more job-ready participants would be able, without participating, to obtain jobs with earnings similar to those of people who complete the program. Less job-ready participants who lack sufficient work experience or education would not be as able to get jobs without participating in the program.

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[5]This section borrows from: Simon Fass *et al.*, *A Review of Employment Trends, Poverty Characteristics, and Employment and Training Programs in Minnesota*, Governor's Task Force on Poverty and Jobs, 1984; Robert Taggert, *A Fisherman's Guide: An Assessment of Training and Remediation Strategies*, Kalamazoo, Michigan, 1981; and Laurie J. Bassi and Orley Ashenfelter, "The Effect of Direct Job Creation and Training Programs on Low-Skilled Workers," in *Fighting Poverty: What Works and What Doesn't*, ed. Sheldon H. Danziger and Daniel H. Weinberg, 1986, pp. 133-151.

[6]Bassi and Ashenfelter, *op. cit.*, p. 17.

Studies of programs serving AFDC recipients produce similar findings. Generally, it seems to make sense to target employment and training programs on potential long-term AFDC recipients, who tend to be less job-ready than other recipients.[7]

Once again, some caution must be exercised in interpreting these findings. In depressed areas, preparing long-term AFDC recipients and other less job-ready people for employment may have limited benefits. If jobs are generally scarce, then programs focusing on the harder-to-serve groups may either be unsuccessful in finding jobs for them or may displace less disadvantaged people from existing jobs without creating any new jobs.

D. EVALUATION ISSUES

Our evaluation concentrates on the state's major employment and training efforts: JTPA, MEED, Job Service, and a variety of other programs specifically designed to serve public assistance recipients. Within these programs, our research focused on the following questions:

- In light of what existing research suggests about the effectiveness of employment and training programs, does the state have an adequate strategy for targeting resources to client groups who would benefit the most?
- Are resources used to provide the most effective services for clients?
- Does the state have an adequate plan for coordinating the many employment and training programs?
- Should any existing programs be redesigned or targeted so that their effectiveness is improved?
- Is the state maximizing the use of federal funds when possible?
- Does the state have appropriate management information systems for evaluating job programs? Are these systems appropriately used to monitor and evaluate programs?

To answer these questions, we met with management and staff from the Department of Jobs and Training, the Department of Human Servies, the Office of Full Productivity and Opportunity, and other state agencies. Also, we visited and interviewed local service providers and program administrators throughout the state. We examined program data collected by the Departments of Jobs and Training and Human Services. Because these data were often inadequate for evaluation purposes, we examined a random sample

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[7]See the discussion in a companion study: Office of the Legislative Auditor, *Aid to Families with Dependent Children*, January 1987.

of client files for JTPA and MEED. Finally, we reviewed existing studies of programs in other states.

The remainder of this report is presented in five chapters. Chapter 2 examines the use of Job Training Partnership Act funds in Minnesota. Chapter 3 evaluates two wage subsidy programs: the state-funded MEED program and the federally-funded Targeted Jobs Tax Credit program. Then, in Chapter 4, we review the role and performance of the Job Service. Chapter 5 examines a variety of programs that exclusively serve public assistance recipients. Finally, in Chapter 6, we present our overall conclusions about Minnesota's employment and training programs.

The Job Training Partnership Act

Chapter 2

Federal employment and training programs aimed at the economically disadvantaged have operated in one form or another for nearly 25 years. These programs help the unemployed become job-ready through training and work experience, and provide job search assistance to those who are job-ready. Currently, the primary employment and training program funded by the federal government is the Job Training Partnership Act (JTPA).

This chapter examines the operation of JTPA in Minnesota. Our focus is primarily on the Title II-A basic services component of JTPA because it receives the most funding. The Title II-B summer youth component is also discussed.

Our discussion of JTPA focuses on the following questions:

- To what extent are eligible groups served by JTPA?
- Are the provision of services and choice of clients appropriate in light of existing research and client needs?
- How well does the state monitor program outcomes?

In our research we reviewed relevant literature and interviewed state and local JTPA staff. We also examined state program data and analyzed a random sample of client files from ten sites across the state.

This chapter is divided into four sections. The first section outlines federal program requirements and describes JTPA's organization in Minnesota. The second section compares the eligible and client populations. The third section analyzes services and outcomes in JTPA, while the fourth section discusses those results and the issues that arise from them.

A. PROGRAM DESCRIPTION

In this section we describe JTPA's history and organization in Minnesota. We also examine how much control the state has over the federal program.

1. BACKGROUND

The Job Training Partnership Act is the latest in a series of federal employment and training programs that began with the Manpower Development and Training Act of 1962. This program was replaced by the Comprehensive Employment and Training Act of 1971 (CETA), which in turn was replaced by JTPA in 1982.

The creation of JTPA signaled a shift in strategy. CETA emphasized work experience in the public sector as a method of easing disadvantaged workers into the economic system. JTPA provides classroom training and job searches that lead to private sector employment. The states play a bigger role in JTPA than they did in CETA, which was a federal-local program.

The stated goals of JTPA are:

> ...to prepare youth and unskilled adults for entry into the labor force and to afford job training to those economically disadvantaged individuals and other individuals facing serious barriers to employment, who are in special need of training to obtain productive employment.[1]

The federal government provides the money for JTPA and sets limits on its use; states establish supplementary goals and administer the program.

As Table 2.1 shows, JTPA, in effect, is several programs. The basic Title II-A program offers classroom training and job search for adults and year-round service for youth. JTPA also serves dislocated workers, youth out of school during the summer and older workers, and provides education coordination programs.

Under Title II-A, states receive federal money according to a formula that reflects the level of unemployment and the numbers of economically disadvantaged citizens in each state. States must pass 78 percent of this money on to local service delivery areas where JTPA services are actually delivered. Administrative expenditures by the state cannot exceed five percent of the total federal grant.

Also under Title II-A, eight percent of the funds go for coordination between JTPA and local education providers and for special services to especially hard-to-serve populations, such as public assistance clients and teenage mothers. Three percent of the funds go for special programs for older workers, and six percent of the funds are reserved to provide incentives for service delivery areas.

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[1] 29 U.S.C. Section 1501-1781.

TABLE 2.1

1986 MINNESOTA JTPA ALLOCATIONS

Program	Title	Allocations[a]	Percent of Total
Basic Programs	Title II-A	$18,511,964	78%
Older Workers	Title II-A	663,817	3
Education Coordination	Title II-A	1,770,181	8
State Administration	Title II-A	1,106,363	5
Incentives For Service Delivery Areas	Title II-A	1,327,636	6
		$23,379,961	100%
Summer Youth	Title II-B	$10,356,811	100%
Dislocated Workers	Title III	$ 991,432	100%

Source: Minnesota Department of Jobs and Training.

[a]These figures are new appropriations and do not include funds carried over from prior years.

Title II-B summer youth programs are administered by service delivery areas, which receive federal money based on the number of disadvantaged youth in each area. The youth programs provide minimum wage work during the summer and some remedial services to youths between the ages of 14 and 21. Title III dislocated worker grants are used in special projects tied to plant closings, depressed farm communities, and other dislocations in the state economy.

2. JTPA IN MINNESOTA

Each state appoints a governing council for JTPA. In Minnesota it is the Governor's Job Training Council. The council consists of a majority of representatives from private industry, including the chair, and additional representatives from the Legislature, state agencies, labor unions, community groups, and local governments. The council is mandated to plan, coordinate and monitor JTPA programs and services. The State Job Training Office of the Department of Jobs and Training staffs the council and prepares reports for the federal Department of Labor.

a. Service Delivery Areas

The Governor's Job Training Council divides the state into service delivery areas (SDAs), with the Governor's approval. The programs are

actually delivered to clients through the SDAs. Minnesota had twelve service delivery areas from the time JTPA began in 1984 until July 1, 1986, when five more were created. Figure 2.1 shows the seventeen SDAs that currently exist.

Areas can become service delivery areas if they have a population above 200,000, or if they are approved by the Job Training Council. Each service delivery area carries out training programs or decides which community organizations will receive contracts to provide the training services. SDAs may also apply for grants to administer JTPA programs for older workers, education coordination, dislocated workers, and farm workers. Many SDAs also contract with counties to administer other state programs such as MEED and Work Readiness.

Each service delivery area is governed by a private industry council made up of representatives from private industry, unions, local schools, area governments, local non-profit organizations, and area citizens. The private industry council helps determine what services an SDA will offer, whether to target services to groups other than those required by the federal and state governments, and whether contractors will be hired to provide services.

The Governor's Job Training Council allots JTPA funds to service delivery areas based on the unemployment rate and the number of economically disadvantaged people in each region. Service delivery area budgets are shown in Table 2.2. In the past, demographic changes have caused major adjustments in area funds. For example, the Duluth Title II-A budget declined from $653,758 in 1984 to $439,041 in 1985, a 33 percent drop. The Department of Jobs and Training is considering a rule to limit cuts to 90 percent of the previous year's budget, as the federal government does for states.

b. Services From JTPA

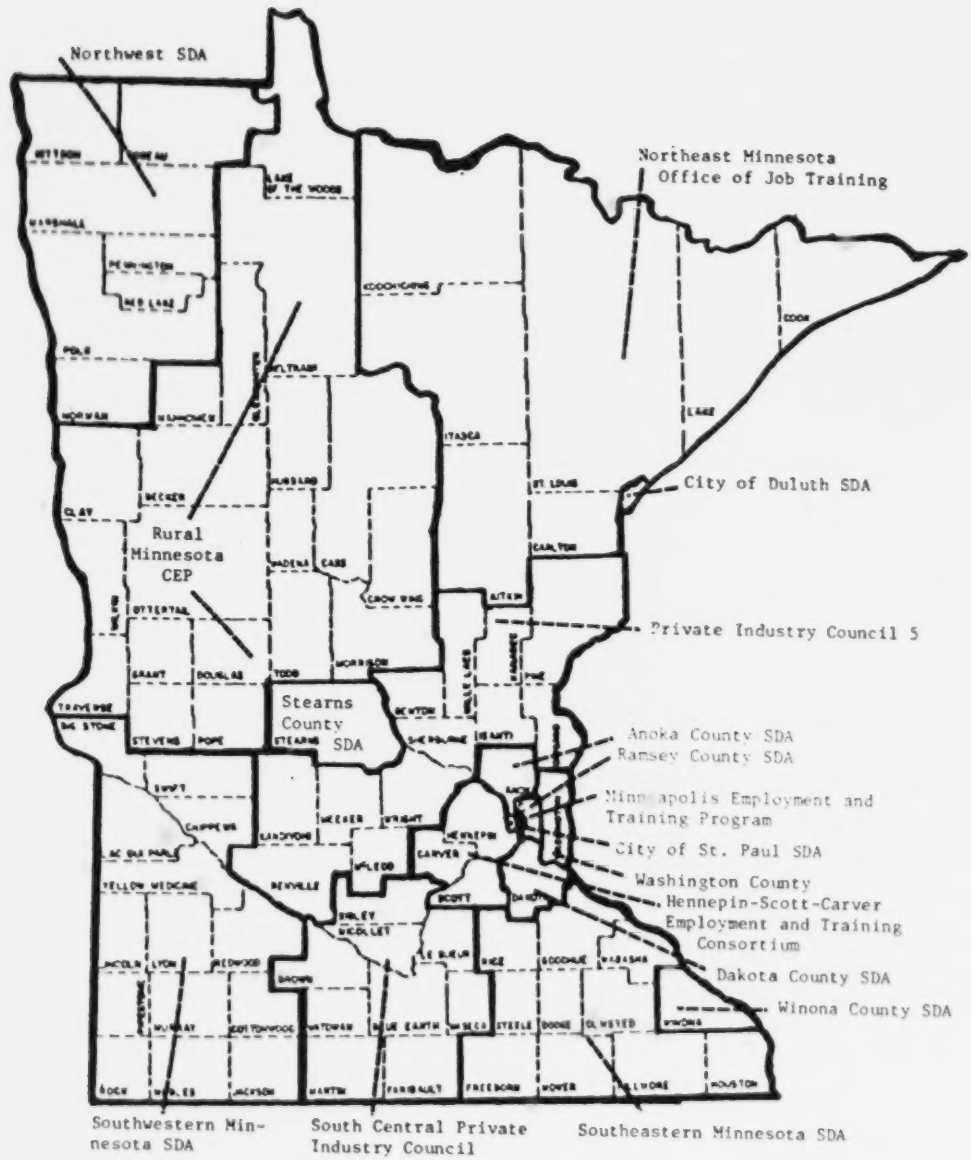
Table 2.3 lists the five most often used services in the Minnesota JTPA program: job search, occupational skills training, job placement, on-the-job training, and skills assessment. In addition, clients may receive academic classroom training, help in obtaining high school equivalency degrees, and a very limited amount of work experience in public sector jobs.

Service delivery areas are free to choose which services they will offer their clients, as long as they choose from a list of federally approved services. As shown in Table 2.4, the SDAs in Minnesota deliver different mixes of services. The table shows that four SDAs offer job search most frequently, while three offer job placement most frequently. Occupational skills training, which usually occurs through area vocational technical institutes (AVTIs), was the second most frequently offered service in nine SDAs.

Interviews with directors of service delivery areas gave us a further indication of local preferences. For example, the Rochester SDA operates

FIGURE 2.1

MINNESOTA'S SERVICE DELIVERY AREAS
July 1986



Source: Minnesota Department of Jobs and Training.

TABLE 2.2

1986 BUDGETS OF SERVICE DELIVERY AREAS

SDA	II-A Allocation[a]	II-B Allocation[a]
Northwest Regional Development Commission	$ 702,271	$ 513,748
Rural Minnesota CEP	4,476,447	1,771,743
Northeast Minnesota Office of Job Training	2,327,113	1,128,856
City of Duluth	439,041	270,163
Private Industry Council 5	1,890,537	818,463
Stearns County	629,361	279,039
Southwest PIC	1,029,632	593,549
South Central PIC	814,480	442,784
Southeast Job Training PIC	1,359,227	700,524
Winona Job Service	228,659	124,918
West Metro Area	957,805	849,032
City of Minneapolis	1,324,781	1,190,668
City of St. Paul	1,044,412	698,043
Anoka County	481,199	324,948
Dakota County	412,676	271,766
Ramsey County	243,293	234,100
Washington County	151,029	145,007

Source: Minnesota Department of Jobs and Training.

[a]These allocations do not include money carried over from prior program years.

many of its programs through five AVTIs. The Mankato office emphasizes private sector on-the-job training. Some Twin Cities providers rely more on job search.

JTPA's service menu was developed to correct problems with the CETA program. In Minnesota, CETA's placement rate was only 19 percent in 1980.[2] Federal planners placed some of the blame for this low rate of placement, which was typical of CETA nationally, on the poor connection between CETA's training and employment programs and the private sector. Under JTPA, on the other hand, localities choose the services they think clients will benefit from the most, and nearly all services are aimed at private sector employment.

[2]Simon Fass *et al.*, *A Review of Employment Trends, Poverty Characteristics, and Employment and Training Program Performance in Minnesota*, prepared for the Governor's Task Force on Poverty and Jobs, October 1984.

TABLE 2.3

NUMBER OF CLIENTS IN JTPA SERVICES
TITLE II-A
July 1, 1985 through March 31, 1986

Service	Number of Clients [a]	Percent of All Clients
Job Search	6,217	20.4%
Classroom and Occupational Skills Training	5,664	18.6
Job Placement	4,020	13.2
Employability Assessment	3,813	12.5
Private Sector On-the-Job Training	3,586	11.8

Source: Minnesota Department of Jobs and Training.

[a]According to the Department of Jobs and Training, these figures may contain minor errors, but are accurate rankings of service usage.

TABLE 2.4

MOST FREQUENTLY USED SERVICES BY SDAS
TITLE II-A
July 1, 1985 through March 31, 1986

	Number of SDAs Choosing Service as Their:		
Service	First Choice	Second Choice	Third Choice
Job Search	4	0	2
Job Placement	3	0	1
Skills Assessment	2	0	2
On-the-Job Training	2	1	1
Classroom/Other	1	1	1
Classroom Occupational Skills	0	9	2
Work Experience	0	1	1
Classroom/Academic	0	0	1
Holding	0	0	1

Source: Minnesota Department of Jobs and Training.

[a]The Department of Jobs and Training has indicated that the data used for this table may contain inaccuracies. However, the inaccuracies are minor and should not affect the rankings of services.

c. *Performance Standards*

The federal Department of Labor measures state Title II-A performance according to seven standards: the rate at which clients enter employment, the cost per placement, the wages each placement receives, the placement rate for welfare clients, and three measures of performance in serving youth. Minnesota in turn uses these measures to gauge the performance of service delivery areas. The federal standards as they apply to Minnesota are shown in Table 2.5.

TABLE 2.5

MINNESOTA SCORES ON SEVEN FEDERAL PERFORMANCE MEASURES
TITLE II-A

July 1, 1984 through June 30, 1985

Performance Standard	Required Level of Performance[a]	Actual Level of Performance
Entered Employment Rate (Adult)	52.2%	60.6%
Cost Per Entered Employment (Adult)	$3,901	$3,570
Average Wage at Placement (Adult)	$ 4.56	$ 4.78
Entered Employment Rate (Youth)	29.8%	47.9%
Positive Termination Rate (Youth)	72.6%	79.5%
Cost Per Positive Termination (Youth)	$4,064	$2,905
Welfare Entered Employment Rate (Adult)	33.4%	46.7%

Source: Minnesota Department of Jobs and Training.

[a]These standards also apply to individual service delivery areas. All Minnesota SDAs performed better than required on all seven standards in 1984.

The required performance is set in Minnesota by adjusting federal standards to local conditions through a demographic formula. The Governor has the authority to adjust the standards further, based on state and local conditions and on elements within the plan developed by the Job Training Council.

Minnesota exceeds these standards by a wide margin. Despite the claims of some service providers that it is difficult to both meet performance standards and help hard-to-serve clients, Minnesota could have lower placement rates and still meet federal performance standards.

Further, the standards themselves provide only limited help in evaluating JTPA. A high placement rate can reflect good performance, but it can also

reflect service to the more job-ready. It is clear that Minnesota meets federal standards; we have not yet shown how it goes about meeting these standards.

d. Incentives

Incentive money, amounting to six percent of the Title II-A budget, is given to service delivery areas which meet certain goals set by the Job Training Council. The incentives are designed to reward and encourage superior performance by localities. Currently, in Minnesota, the goal is to exceed the federal performance standards. In the past, this has not been difficult and each service delivery area has received a share of the funds. No service delivery area in Minnesota has failed to receive incentive money because of poor performance.

An alternative plan under consideration by the Job Training Council would allot half of the incentive money based on the level of service to public assistance recipients. The plan would require each area to serve a minimum number of AFDC, General Assistance, and Work Readiness clients, and would reward areas based on the extent to which they meet the requirements. Half of the incentive money would still reward areas based on the extent to which they meet the seven federal standards.

B. ELIGIBLE AND CLIENT POPULATIONS

In this section, we compare the population of people who are eligible for JTPA to those who have actually received services from JTPA. We found that some groups within the eligible population are underserved by JTPA.

1. COMPARISON OF THE ELIGIBLE AND CLIENT POPULATIONS

Eligible people are classified as economically disadvantaged under the JTPA law according to their income, handicapped status, and use of public assistance. According to federal requirements, the basic program's clientele must consist of at least 90 percent economically disadvantaged people and 40 percent youth.[3] Also, high school dropouts and AFDC clients must be served in an "equitable" fashion, that is, in proportion to their numbers in the general population. Federal law prohibits discrimination against women, minorities, the handicapped, and religious groups, but no minimum levels of service are required.

A person is defined as economically disadvantaged if he or she: receives cash welfare payments; has an income or is a member of a family with an income that for the prior six months was lower than the federal poverty

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[3]The percentage of youth served is adjusted according to the actual number of youth in local populations. In Minnesota, the percent is adjusted downward; Minnesota serves roughly 32 percent youth in Title II-A.

level or 70 percent of the lower living standard income level as defined in JTPA regulations (excluding unemployment compensation, child support or welfare payments); receives food stamps; is a foster child receiving state or federal payments; or is a handicapped adult meeting one of the above income requirements but living in a family exceeding those requirements.[4]

Altogether, one out of eight Minnesotans (nearly 500,000 people) were eligible for JTPA. About five percent of all eligibles enrolled in JTPA. These data are shown in Table 2.6.

TABLE 2.6

TITLE II-A PROGRAM RESULTS
July 1, 1985 through June 30, 1986

Total Eligible Population	497,689
Total Enrolled Participants	23,685
Total Terminations	17,764
Total Non-Positive Terminations	5,280
Total Entered Employment	10,810
Total Completed Training	11,894[a]
Total Placed After Training	3,437[a]

Source: Minnesota Department of Jobs and Training.

[a]These numbers are for nine months only, July 1, 1985 through March 31, 1986.

To describe the population actually receiving JTPA services, we examined Department of Jobs and Training data covering the period July 1, 1985 through March 31, 1986. In addition, we examined a random sample of 321 JTPA Title II-A client files from ten sites across Minnesota: Minneapolis, St. Paul, Dakota County, Washington County, Rochester, the Arrowhead Economic Opportunity Agency, the Northeast Private Industry Council, Detroit Lakes, Montevideo, and Mora. This sample provides some demographic information on JTPA clients that is not available from the Department of Jobs and Training.

Both these sources of data reveal some significant differences between the eligible and client populations. We found that:

- Participants in all JTPA programs were younger, more often had high school diplomas, and were more often men than the eligible population.

[4]29 U.S.C. Section 1501-1781.

The JTPA regulations require the state to provide two groups with equitable service. According to the JTPA law,

> ...recipients of payments made under the program of aid to families with dependent children...and eligible school dropouts shall be served on an equitable basis, taking into account their proportion of economically disadvantaged persons sixteen years of age or older in the area.[5]

We found that AFDC clients seem to be served in rough proportion to their numbers in the eligible population, but high school dropouts are not. Table 2.7 shows how different groups are represented in the eligible and client populations.

High school dropouts were only 16 percent of JTPA participants, as compared to 55 percent of the eligible population. However, this apparent underservice to dropouts might be explained in part by the links some service delivery areas have with local high school equivalency programs. Several SDAs told us that they refer dropouts to area General Educational Development (GED) programs to earn high school equivalency certificates instead of enrolling them in JTPA. For example, in Saint Paul, an applicant needing a high school degree is referred to a separate GED program in the same building. This applicant is not counted in the JTPA data.

Older people and women are not targeted in federal regulations for a required number of program slots. A regulation does prevent discrimination, but the state need not serve any particular number of women or people over 55 years of age.[6] A special JTPA program, the Older Workers program, exists to serve people over 55 years old. However, people over age 55 were only 5 percent of all JTPA clients, including those in the Older Workers program, as compared to 36 percent of the eligible population.

Figure 2.2 shows that while JTPA's eligible population is 61 percent women, only 43 percent of those actually participating in the program are women. However, evidence does not suggest that women are "less needy" than men. According to our sample data on JTPA participants, women are more likely than men to have families to support. Women are also more likely to be the heads of single parent families. Women have lower prior incomes, more dependents, and may be less likely to get a job without help from JTPA, but men are more often served by Minnesota's JTPA program.

Other states serve a greater percentage of women than Minnesota. Table 2.8 compares Minnesota to states in the region and across the nation.

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[5] *Ibid.*

[6] *Ibid.*

TABLE 2.7

COMPARISON OF JTPA ELIGIBLE AND CLIENT POPULATIONS
July 1, 1985 through March 31, 1986

Population Group	Percent of Eligible Population	Percent of Client Population
55+ Years Old	35.9%[a]	5.2%
55 - 64 Years Old	8.9	4.8
65+ Years Old	26.9	.3
Handicapped	6.3	10.7
Displaced Homemakers	6.3	7.7
High School Dropouts	54.7[b]	16.2

Source: Minnesota Department of Jobs and Training.

[a]New data from the Department of Jobs and Training indicate that the percentage of eligible people 55 years of age and over, when adjusted for those not seeking work, is 21 percent.

[b]New data from the Department of Jobs and Training indicate that the percentage of dropouts in the eligible population is 45 percent and, when adjusted for dropouts who are not in the work force, is 30 percent. Even when adjusted, dropouts in the eligible population outnumber those in the client population by at least two to one.

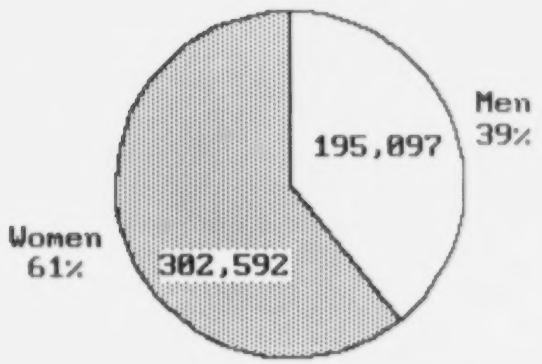
Some of these states, in reports compiled on the subject of service to women, have concluded that low levels of service are not desirable.[7]

Two other groups, minority and handicapped clients, were served to a slightly greater extent in the client population than in the eligible population. As Table 2.9 shows, minority clients, including Blacks, Hispanics, American Indians, and Asians, are served to a greater extent than their incidence in the eligible Minnesota population. These clients make up less than 10 percent of eligible people, and are just over 10 percent of clients served in the program. Handicapped people are about 6 percent of the eligible population, and are nearly 11 percent of clients in the JTPA program.

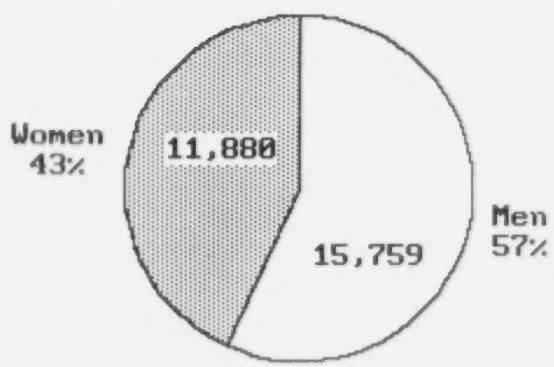
[7]Wisconsin Department of Industry, Labor, and Human Relations, *Services to Women in Wisconsin's Major Employment and Training Programs*, August 1986. See also, League of Women Voters, *Women in Job Training*, January 1986.

FIGURE 2.2

PROPORTION OF MEN AND WOMEN
IN MINNESOTA JTPA ELIGIBLE POPULATION:
JULY 1, 1985 TO MARCH 31, 1986



PROPORTION OF MEN AND WOMEN
AMONG MINNESOTA JTPA PARTICIPANTS:
JULY 1, 1985 TO MARCH 31, 1986



Source: Minnesota Department of Jobs and Training.

TABLE 2.8

PERCENTAGES OF WOMEN SERVED IN FEDERAL DEPARTMENT OF LABOR REGION 5
TITLE II-A

Fiscal Year 1985

State	Percent of Women Served
Wisconsin	52.5%
Indiana	51.7
Illinois	49.9
Michigan	47.4
Ohio	45.9
Minnesota	42.9[a]

Source: Federal Department of Labor.

[a]These data are for the first nine months of the program year. For the full program year, the Department of Jobs and Training now indicates that this figure may be as high as 46 percent.

TABLE 2.9

MINORITY SERVICE IN JTPA: ALL TITLES

July 1, 1985 through March 31, 1986

Race	Percent of Eligible Population	Percent Served	Percent Placed	Wages
Black	2.5%	4.4%	4.7%	$5.14
Hispanic	1.0	1.4	1.4	5.49
American Indian	2.4	3.4	2.5	5.24
Asian	2.2	4.1	2.8	4.92
White	91.7	86.5	88.4	5.52

Source: Minnesota Department of Jobs and Training.

2. PUBLIC ASSISTANCE CLIENTS

Public assistance clients are a special target group for employment and training programs, so this report singles them out for separate consideration. Public assistance clients include those receiving Aid to Families with Dependent Children (AFDC), General Assistance (GA), Work Readiness (WR), food stamps, Supplemental Security Income, and Refugee Assistance. Many clients receive more than one type of assistance.

In 1985, 50,812 households were on AFDC in Minnesota. As of March 1985, there were 18,358 General Assistance and 11,869 Work Readiness clients in the state. Table 2.10 shows the number of public assistance recipients served by JTPA in each area of the state. As shown, service to public assistance clients differs by region. For example, St. Paul served only 20 more clients than Minneapolis, but served 237 more public assistance clients.

TABLE 2.10

PUBLIC ASSISTANCE CLIENTS SERVED BY SERVICE DELIVERY AREAS
TITLE II-A

July 1, 1985 through March 31, 1986

SDA	Number of Clients	Number Receiving Public Assistance	Percent Receiving Public Assistance
Northwest	711	241	33.9%
Rural MN CEP[a]	3,305	455	13.8
Northeast	4,208	2,845	67.7
Duluth	707	370	52.3
PIC 5	2,024	872	43.1
Southwest	1,268	339	26.7
South Central	959	430	44.8
Southeast	1,638	839	51.2
West Metro	931	250	26.9
Minneapolis	1,100	509	46.6
St. Paul	1,120	746	66.6
East Metro	2,198	1,031	46.9
Total	20,169	8,930	44.3%[b]

Source: Minnesota Department of Jobs and Training.

[a]Rural MN CEP's numbers may undercount actual service levels due to reporting problems.

[b]Data from the full program year, July 1, 1985 through June 30, 1986, which were not available at the time of our analysis, indicate that the percentage of JTPA clients who were public assistance recipients is 48 percent.

Public assistance clients in our JTPA sample were about equally divided between men and women. About two-thirds of public assistance clients in the sample had no income, and one-third had never worked. Those with work histories usually had low-paying jobs. Sixty-six percent had at least a high school degree, and more than half were parents.

Minnesota AFDC recipients represent approximately 10 percent of the population eligible for JTPA. According to the standards of equity established in federal law, at least 10 percent of those actually served by JTPA should be AFDC households. Table 2.11 indicates that in 1985-86 approximately 22 percent of JTPA participants in Minnesota were AFDC clients.

TABLE 2.11

AFDC CLIENTS IN JTPA PROGRAMS
TITLE II-A

July 1, 1985 through March 31, 1986

SDA	Number of Participants	Number of AFDC Recipients	Percent AFDC
Northwest	711	133	18.7%
Rural MN CEP[a]	3,305	147	4.4
Northeast	4,208	1,206	28.7
Duluth	707	203	28.7
PIC 5	2,024	508	25.1
Southwest	1,268	139	11.0
South Central	959	266	27.7
Southeast	1,638	391	23.9
West Metro	931	158	17.0
Minneapolis	1,100	330	30.0
Saint Paul	1,120	352	31.4
East Metro[b]	2,198	651	29.6
Total	20,169	4,484	22.2%

Source: Minnesota Department of Jobs and Training.

[a]Rural MN CEP's numbers may undercount actual service levels due to reporting problems.

[b]This SDA is now four separate SDAS: Washington, Anoka, Dakota, and Ramsey Counties.

This level of service, however, may not be totally accurate. The Department of Jobs and Training has generated at least three different estimates on the number of AFDC recipients served by JTPA from July 1985 through March 1986. Initially, the department estimated that just over three percent of JTPA participants were on AFDC. This estimate was subsequently corrected to 10 percent. The department's most recent estimate is that about 23 percent of JTPA clients are on AFDC. These different estimates suggest some unreliability in the JTPA data. Although it seems that the program is serving enough AFDC recipients to meet federal requirements, we are not confident that the department knows exactly how many recipients are being served.

Two out of three AFDC clients in our sample were from single parent families, the rest from two parent families. The majority were women, 22 to 39 years old, with one to three children. They had less income than other JTPA clients, were more often unemployed at the time of application, and were more likely to be classified by JTPA service providers as long-term unemployed with limited employment opportunities.

Two-thirds of AFDC clients in our sample had no current income, although the same fraction had at least a high school education. Less than one-fifth of single parent AFDC clients had not graduated from high school, and about one-third of two parent AFDC clients had no high school degree. Seventy percent had some past employment, averaging $5.24 per hour.

Single parent AFDC recipients served by JTPA tend to be better educated than AFDC recipients in general. About 74 percent of single parent AFDC recipients in the general population have a high school education, compared to about 86 percent of single parent AFDC clients in our JTPA sample.[8] The JTPA program also serves a high proportion of AFDC recipients from two parent families, who tend to be more employable than single parent recipients. In the AFDC population as a whole, only 12 percent are from two parent families, compared to over 30 percent in our sample.

General Assistance clients, about nine percent of the eligible population and about 20 percent of our sample, were more often unemployed, had more employment barriers, had lower incomes, and were more often classified as long-term unemployable than any other client group in the sample. In our sample, 73 percent of General Assistance clients had no income. Others earned very little, mostly at odd jobs and day labor. Sixty-one percent of these clients had high school diplomas. Seventy-one percent were men, and nearly 80 percent lived alone.

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[8]The estimated percentage of AFDC recipients in Minnesota with high school diplomas is between 70 and 74 percent.

3. SUMMARY

In comparing the eligible and client populations, we found a number of differences between the two populations. The client population contains fewer women, fewer high school dropouts, and fewer older people. The welfare population is represented in JTPA at least up to its incidence in the eligible population, but the exact proportion is unknown. In addition:

- There are indications that JTPA tends to serve the job-ready people in the eligible population more often than the less job-ready.

C. JTPA SERVICES AND OUTCOMES

This section looks at client services and outcomes. We conclude that different services are given to different client groups, and that this has an effect on the employment possibilities of each group.

1. SERVICES

Local service providers select services for clients on the basis of what they feel will work. Services can be designed for immediate or future employment. Deciding what services to offer clients should be based on evidence of their effectiveness for particular client groups.

The average client spends about 26 weeks in JTPA. Occupational and academic training can occur over a year or more. Job search and placement can take as little as a week, or can stretch over several months. On-the-job training places a worker in a subsidized job which may become permanent after the training period.

- Minnesota's JTPA program provides extensive job search and job placement services to participants.

As indicated earlier in Table 2.3, job search is the most frequently offered JTPA service. One-third of all participants receive either job search or job placement as their principal service in JTPA. These activities involve helping participants find jobs; they do not involve training or job skills development services. Thus, they are most beneficial to clients who are already job-ready.

From our sample, we found that men are more likely to receive on-the-job training and job search assistance than women. Women more often receive occupational training and skills assessment. These data are shown in Table 2.12.

Minorities receive job search more often and subsidized private sector on-the-job training less often than whites. Minorities also receive a

TABLE 2.12

SERVICES TO WOMEN
TITLE II-A SAMPLE

July 1, 1985 through June 30, 1986

	Percent of Women Receiving:	Percent of Men Receiving:
SERVICE		
Classroom Occupational Skills Training	48.9%	26.9%
On-the-Job Training	15.3	18.1
Job Search	25.2	41.8
Job Placement	18.3	17.6
Skills Assessment	45.8	31.3

Source: Program Evaluation Division sample of JTPA files.

greater proportion of remedial services, such as work experience and academic classroom training. This may occur because fewer minorities in the program have completed high school.

As Table 2.13 indicates, AFDC clients are more likely to be enrolled in occupational skills training, but less likely to receive on-the-job training. In contrast, General Assistance clients seldom received occupational skills training, instead receiving mostly job search assistance.

In summary, we found that:

- Men, minorities, and those not on welfare are most often given JTPA services aimed at immediate employment. Women and welfare clients are more often given extensive training.

Research suggests that long-term classroom training is best targeted for the long-term unemployed, with the main effect being an increase in the number of hours worked, rather than higher wages received.[9] In Minnesota, JTPA does tend to use classroom training for AFDC clients to a greater extent than other services. As seen in Table 2.13, occupational skills training was the predominant service for AFDC recipients. However,

[9]Robert Taggart, *A Fisherman's Guide: An Assessment of Training and Remediation Strategies*, Kalamazoo, Michigan; 1981. See also Simon Fass, *et al.*, *ob. cit.*, and Judith M. Gueron, *Work Initiatives for Welfare Recipients*, Manpower Demonstration Research Corporation, March 1986.

TABLE 2.13

SERVICES TO PUBLIC ASSISTANCE CLIENTS
TITLE II-A SAMPLE

July 1, 1985 through June 30, 1986

Service	Percent of Welfare Clients Receiving:	Percent of Non-Welfare Clients Receiving:
Classroom Occupational Skills Training	41.7%	29.5%
On-the-Job Training	10.7	24.7
Job Search	35.1	34.9
Job Placement	17.3	18.5
Skills Assessment	44.6	28.8
	Percent of AFDC Clients Receiving:	**Percent of Non-AFDC Clients Receiving:**
Classroom Occupational Skills Training	59.8%	26.8%
On-the-Job Training	6.9	21.0
Job Search	22.9	39.5
Job Placement	12.6	19.7
	Percent of GA Clients Receiving:	**Percent of Non-GA Clients Receiving:**
Classroom Occupational Skills Training	12.5%	41.9%
On-the-Job Training	14.0	17.7
Job Search	57.8	29.4
Job Placement	20.3	20.9

Source: Program Evaluation Division sample of JTPA files.

clients who were both on AFDC and received occupational skills training made up only 16 percent of our sample.

We have seen that JTPA most often provides job search to minorities, General Assistance clients, and men. But JTPA is not the only provider of job search services. In fact, this is a primary focus of the Job Service, as discussed in Chapter 4 of this report.

Selecting services requires knowledge of what works for which kinds of clients under different economic conditions. Such information is crucial in deciding what services to offer clients. As we discuss in the next section, we found that all services had some positive effects on job placement.

2. OUTCOMES

In addition to the number of JTPA clients who obtain jobs, it is important to examine the kinds of jobs obtained. Also, it is important to look at the effect different kinds of services have on the kinds of jobs obtained.

- In 1985, 61 percent of participants in the client population who left JTPA found employment in unsubsidized private sector jobs. The average hourly wage of those finding jobs was $5.09 per hour.

Also, in our sample, over two-thirds of clients who found employment worked at least 36 hours per week. Those who did not find employment and left the program did so for a variety of reasons, including marriage, illness, pregnancy, further education, moving, unsatisfactory performance, or because the program could not find them a job. Also, SDAs could not locate some clients.

A JTPA client obtaining a full-time job at the average wage of $5.09 per hour would make $10,587 in a year. This is just under the national poverty level for a family of four. While any job is an improvement over unemployment, the quality of jobs available through JTPA varies considerably.

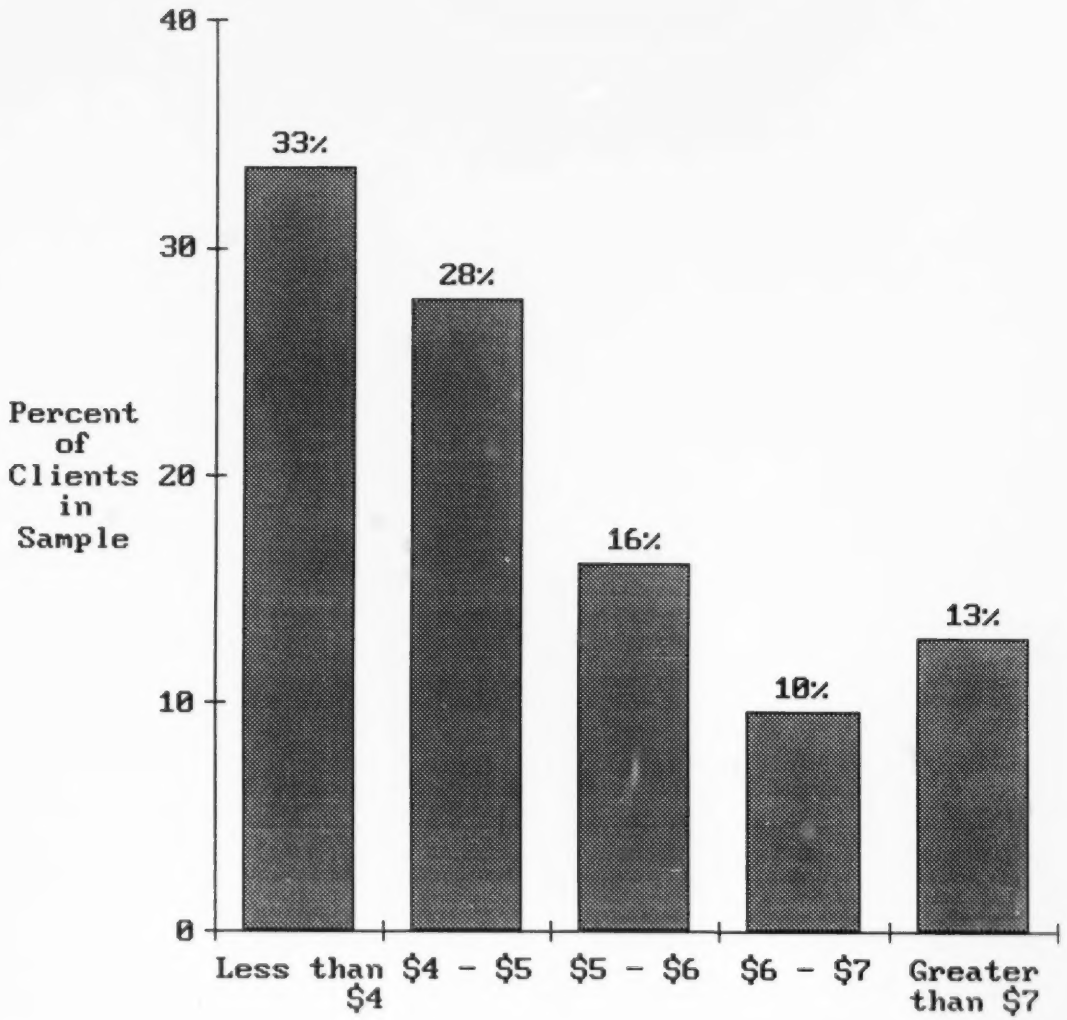
Since the state does not collect adequate data on past work experiences of clients and does not adequately classify new placements by type of work, we gathered this information from our sample.

Wages in our sample averaged $5.17 per hour, close to that reported for the program as a whole. As Figure 2.3 shows, 61 percent of those with jobs reported wages below $5.00 per hour. Fifty-two percent of those placed worked as store clerks, cooks, dishwashers, waitresses, clerical workers, secretaries, nurse's aides, day care workers, laborers, or janitors. Ten percent were farmers and farm workers, nine percent were factory workers, eight percent were mechanics, and nineteen percent were placed in various skilled occupations and trades.

About one-fifth of those placed in the JPTA sample had the same job title they had before entering JTPA. Of those, over four-fifths received job

FIGURE 2.3

WAGES AT PLACEMENT IN A SAMPLE OF JTPA CLIENTS:
Fiscal Year 1985



Source: Program Evaluation Division sample of JTPA clients.

search as their JTPA service. Some of the clients who found jobs similar to their earlier employment made more money at the new jobs.

We found that:

- Jobs in JTPA are often low-paying and in low-skill positions. Women, high school dropouts, and minorities receive lower wages than others, but certain services such as occupational skills training do offer these and other clients better chances at higher paying jobs.

Outcomes vary for different client groups. For example, in the client population for all JTPA programs, for the first nine months of the 1985-86 program year, men entered employment at a rate of 72 percent, but only 66 percent of women entered employment. In Title II-A, for the first nine months of the 1985-86 program year, men earned $5.36 an hour at placement, and women earned $4.70. This is also reflected in our sample data. As shown in Table 2.14, women in our sample received less favorable outcomes than men.

In our sample of JTPA clients, women who found jobs increased their wages over past employment by $0.41 per hour; men decreased their wages compared to past employment by $0.40 per hour. This phenomenon also holds true in other states such as Wisconsin where women gained $0.19 per hour, while men lost $0.26.[10] For the most part, these effects occur because women tend to hold low wage jobs prior to enrollment in JTPA, while men

TABLE 2.14

OUTCOMES FOR WOMEN
TITLE II-A SAMPLE

July 1, 1985 through June 30, 1986

	Percent of Women	Percent of Men
OUTCOMES		
Entered Employment	45.8%	51.0%
Earned Less Than $5/Hour	70.3	54.9
Earned More Than $5/Hour	26.7	45.0
Worked Less Than 36 Hours/Week	37.5	18.5
Worked 36 or More Hours/Week	62.5	81.5

Source: Program Evaluation Division sample of JTPA files.

[10] Wisconsin Department of Industry, Labor, and Human Relations, *op. cit.*

tend to be displaced from high wage jobs. However, the more relevant comparison would ask whether either group would have been able to obtain similar paying jobs without participating in JTPA.

Placement in jobs varies among other groups as well. In general, public assistance clients, including both AFDC and General Assistance clients, are less likely to obtain jobs than others. However, for AFDC clients, those who did find jobs received higher paying jobs than non-AFDC recipients (see Table 2.15). This seems to substantiate the effectiveness of occupational skills training, which 60 percent of AFDC clients in our sample received. While slightly more than one-third of the AFDC clients were placed, placements averaged $5.90 per hour.

TABLE 2.15

OUTCOMES FOR PUBLIC ASSISTANCE CLIENTS
TITLE II-A SAMPLE

July 1, 1985 through June 30, 1986

Outcomes	Percent of Welfare Clients	Percent of Non-Welfare Clients
Entered Employment	39.9%	58.9%
Placed and Earned Less than $5/Hour	58.2	63.6
Placed and Earned More than $5/Hour	41.8	36.4
	Percent of AFDC Clients	**Percent of Non-AFDC Clients**
Entered Employment	37.9%	52.6%
Placed and Earned Less than $5/Hour	50.0	64.2
Placed and Earned More than $5/Hour	50.0	35.8
	Percent of GA Clients	**Percent of Non-GA Clients**
Entered Employment	35.9%	52.4%
Placed and Earned Less than $5/Hour	69.5	59.8
Placed and Earned More than $5/Hour	30.5	40.2

Source: Program Evaluation Division sample of JTPA files.

Whites in JTPA received higher hourly wages upon entering employment than any other racial group. On the other hand, the program did serve each minority group to a greater extent than the existence of that group in the population, and by a number of measures, minorities participating in JTPA tend to be less job-ready than whites.

Participants without high school degrees, without work histories, or listing no income, were less likely than others to find employment through JTPA. These clients are generally less job-ready than other clients, and they are also more likely to be women, minorities, and public assistance clients.

Services provided by JTPA varied in effectiveness in achieving placements. In our sample, we found that:

- The service most likely to result in full-time jobs paying over $6.00 per hour was classroom occupational skills training. Recipients of job search and placement services most often found jobs paying less than $5.00 per hour.

Starting this year, follow-up studies of JTPA clients who have been placed will be routinely conducted by SDAs. This follow-up will take samples of clients to see if they are still working, what wages they are receiving, and how many hours per week they work. We support this initiative as a way to track outcomes beyond immediate placements.

In addition, the Department of Jobs and Training should use follow-up data to measure the quality of outcomes that each type of service provides. The department should examine whether recipients of occupational skills training retain their jobs at higher rates and achieve more pay increases than those who receive other services.

3. THE RELATIONSHIP BETWEEN TRAINING AND PLACEMENT

Some service delivery areas try to determine whether job placements result from, or are related to, the training or services received. According to the Department of Jobs and Training, one metropolitan area SDA estimated that 37 percent of its placements were training-related during 1986, while an outstate SDA labeled 56 percent of its placements as training-related.

The Department of Jobs and Training does not have these data for the state as a whole, but our sample provides some indication of the extent to which training is related to job placement. Seventy percent of the 148 placements in our sample were called training-related by service delivery areas. Since 61 percent of JTPA clients who terminated the program entered employment in 1985-86, we estimate that:

- Less than half of the clients who leave JTPA obtain jobs related to the training they receive in the program.

In fact, these figures might overestimate the connection between training and placement. A close look at SDA classifications shows that definitions

are applied loosely. For example, one client completed nurse's training through JTPA and then became a secretary. This was classified as a training-related placement. Some areas classify any job search that leads to getting a job as training-related. Of the 104 placements in the sample that were classified by the SDAs as training-related, we questioned the validity of 18 such classifications. A number of others were considered questionable also because some service delivery areas classified job search placements as training-related.

Although the above data at least raise some questions, the measure itself is flawed and prevents full understanding of the connection between training and placement. Service providers do not know whether to use the measure for all clients or just those who receive classroom training. In addition, they do not consistently classify placements as training-related for all services. For example, one area might classify all of its job search placements as related or not, and the next SDA might only classify occupational skills training placements.

The measure could be valuable, however, if it were further defined by the Department of Jobs and Training, because it allows comparisons of the effectiveness of services in different places for different clients. If a large number of AFDC clients were trained in AVTIs, this measure could indicate whether that AVTI training was relevant to the jobs they obtained.

In our view, the Department of Jobs and Training needs to develop common placement measures for all SDAs to use. The measures should be designed to apply to certain services and not others. For example, one measure could be used for all those who received occupational skills training. An entirely separate measure could be used to assess job search services. For these measures to work, the department needs to define them carefully, with specific measures of relatedness for each service. This is one way the department could better assess the effectiveness of services in achieving placements.

D. SUMMARY AND CONCLUSIONS

This section summarizes our findings and conclusions about Minnesota's Job Training Partnership Act program. Regarding the Title II-A basic services program, we found that:

- There are significant differences between JTPA's eligible and client populations. Program participants are younger and better educated than the eligible population.

- People not on public assistance, most often men, make up the majority of the client population. They usually receive job search and job placement services, or on-the-job training.

- Many jobs obtained through JTPA are in low-pay or low-skill positions. While the average hourly wage for JTPA placements was $5.09, most jobs in our sample paid less than $5.00 an hour.

- Participants receiving occupational skills training seem most likely to obtain jobs paying over $6.00 an hour. However, only a small portion of the client population, 18 percent, receive these services.

Our analysis of Minnesota's Job Training Partnership Act program points out two major problems. First, the Department of Jobs and Training's management information system for JTPA is severely limited. It is not designed to provide timely answers to questions about JTPA's participants, services, or outcomes. Second, although JTPA is intended to serve the unskilled and those with serious barriers to employment, the program does not adequately focus on these harder-to-serve groups. Available data seem to indicate that SDAs are serving too many job-ready people, and too few of those harder-to-serve.

1. MANAGEMENT INFORMATION SYSTEM

Our evaluation of JTPA was hampered by the Department of Jobs and Training's inability to provide basic descriptive data on the program.

- The department's management information system has three problems. First, the system does not generate the data necessary to examine program results. Second, there are problems with the quality of the data that are collected. Third, the system does not supply data in a timely fashion.

The Department of Jobs and Training's management information system for JTPA was designed to generate reports on the federal government's performance measures. As discussed earlier in this chapter, these measures simply indicate overall employment and wage rates, as well as placement costs. They provide little insight into who is served, what services clients receive, or the results of those services.

Although the department collects considerable data on JTPA, it does not have a statistical package to analyze the data collected. For example, the department cannot produce reliable counts on the number of AFDC recipients participating in JTPA. The department generated at least three different estimates on the number of AFDC clients served in JTPA from July 1985 through March 1986. These numbers ranged from 538 to over 4,900. In addition, the system cannot generate reports that describe the employability characteristics of participants or the services they receive. Likewise, there are no reports examining the effectiveness of specific services for specific client types.

Currently, there is no follow-up system for JTPA participants. Thus, the department cannot tell how successful JTPA is over time or whether program placements are permanent. To meet new federal regulations, the department is planning to implement a follow-up system to track program outcomes 13 weeks after placement.

A second problem with the department's management information system concerns data quality. There is little quality control over the data collected by the department. While there may be some internal consistency *within* SDAs in definition and coding, there is no consistency *across* SDAs. For example, service delivery areas differ in how they define services; some SDAs do not differentiate adequately between job search and job placement. Also, as noted earlier, SDAs vary in how they determine whether job placements are related to the services received in JTPA.

Furthermore, SDAs do not always report the data requested. Our review of client files revealed large gaps in data on work histories of participants, family income, and other measures. If the Department of Jobs and Training determines that certain data are important enough to be collected, it should ensure that all SDAs are doing so.

A third problem with JTPA's management information system is a lack of timeliness. Even if the system could generate useful reports, it could not do so in a timely fashion. Jobs and training staff do not have adequate access to the department's mainframe computer, which is necessary for data input and analysis. Currently, they must submit requests for review and wait two weeks for the data to come through the system.

The Department of Jobs and Training appears to recognize many of the shortcomings of its management information systems. According to department management, some of these problems could be addressed if legislation is passed making state benefit calculations for unemployment insurance the same as federal standards. Conformity could free up some federal funds which could be used to improve computer operations and to meet, in part, the management information needs of other programs such as JTPA. However, conformity would result in delays in receiving unemployment insurance benefits for some Minnesotans.

2. PROGRAM DESIGN

We find that:

- Minnesota's Job Training Partnership Act program seems to concentrate too heavily on serving job-ready individuals.

Although reliable data on program effectiveness are absent, there is little evidence that the program is enrolling large numbers of people with serious barriers to employment. Program participants are better educated than the eligible population. Many participants simply receive job search assistance through JTPA; indeed, job search is the most frequently offered service. Furthermore, many of the jobs obtained through JTPA are unskilled or low-paying, similar to those obtained by Job Service clients.

We think that:

- JTPA should place more emphasis on providing services to harder-to-serve groups.

- In particular, an increasing share of JTPA Title II-A funds should be used to prepare AFDC, General Assistance, and Work Readiness recipients for employment.

Serving fewer job-ready people would permit JTPA to spend more time and money on serving those with serious barriers to employment. Other programs like Job Service and WIN already provide job search assistance. Applicants who are job-ready should be referred to those programs instead of being enrolled in JTPA. Likewise, other programs need to refer harder-to-serve people to JTPA.

Because funds are limited, we think that:

- The state should more carefully define the client population to be served by JTPA. This process must go beyond simply specifying minimum levels of service to public assistance or AFDC recipients. Rather, the program must focus on serving harder-to-serve people within these populations.

While the up front costs of serving those people are greater, research indicates that this strategy may be the most efficient and effective use of employment and training funds. The greatest opportunity for future cost savings involves providing extensive services to people most likely to become long-term welfare recipients. While most welfare recipients use public assistance for short periods of time, most public assistance funds are expended on long-term recipients. Thus, successful intervention with potential long-term recipients may be the most cost-effective. A companion study by the Legislative Auditor's Office suggested several key groups for possible targeting among AFDC recipients: teenage mothers, never-married women, recipients without recent work histories, and high school dropouts.[11]

While we are strongly supportive of increased JTPA service to public assistance recipients, we also recognize the need for JTPA and other programs to reflect regional differences. In parts of the state where jobs are scarce, subsidized on-the-job training may be a more useful tool than classroom training. Stimulating job creation makes more sense than classroom training for jobs that are not available. Consequently, a strategy calling for more service to public assistance recipients must also be flexible enough to permit regional differences based on economic conditions.

In addition, we recommend that:

- The state place much greater emphasis on tying remedial education to summer youth employment programs offered under JTPA Title II-B.

The state currently spends about $10.4 million in federal funds annually, primarily to provide minimum wage jobs to youth between the ages of 14 and _____

[11]Office of the Legislative Auditor, *Aid to Families with Dependent Children*, January 1987.

21. In a few instances, remedial education and other services are also provided.

There is no evidence, however, that summer employment programs such as these increase employability, lower welfare dependency, or increase high school graduation rates. Research indicates that summer employment programs not tied to remedial education or permanent job placement have no lasting effect on the employment or future wages of participants. Instead, they simply provide spending money and, in a sense, keep youth off the streets. While this could certainly be a goal of youth programs, there are greater needs to be met. Numerous task forces and government officials are calling for increased efforts to keep youth in school. Title II-B funds could be more effectively used to further this goal.

Recently passed Congressional legislation requires Title II-B youth programs to place greater emphasis on remedial services. Some programs in the state already allocate portions of their summer youth funds to remedial services, although these allocations are usually small (between 15 and 20 percent of funds). For example, Minneapolis has developed a program to tie summer jobs to performance in summer school. Remedial students who fail to attend summer school lose their summer jobs. If they make up the required courses in summer school, they are given 15 hours of work while in class and 32 hours per week after passing the courses.

The state needs to encourage more innovative and cost-effective uses of summer youth funds. Simple summer work programs do not have long-term impacts, and even the most innovative summer youth programs do not spend large amounts of money on remedial services. To this end, it seems appropriate for the state, through the Governor's Job Training Council and the Department of Jobs and Training, to assume a more active role in defining youth services.

The state has already taken a number of steps to redirect JTPA resources. For example, in November 1986, the Governor's Job Training Council established public assistance recipients as the top priority group for the eight percent education coordination funds controlled by the state. In January 1987, the council directed that half of the state's six percent incentive funds be awarded to service delivery areas based on their service to public assistance recipients under Title II-A. Finally, each service delivery area is now required to have a remedial component in its Title II-B summer employment program.

However, these efforts may have only a modest impact. Most JTPA funds are controlled by the private industry councils established by federal law. Accomplishing a greater targeting of JTPA funds to potential long-term AFDC recipients or a substantial change in how Title II-B funds are spent will probably require additional strategies.[12] For example, the state may need to provide additional resources as incentives for private industry councils to alter the manner in which JTPA funds are spent.

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[12]Legislation has been introduced on the national level that would give states more authority over how Title II-A programs are delivered locally. If passed, that legislation could provide Minnesota with the necessary authority to implement changes.

Wage Subsidy Programs

Chapter 3

Unlike many other employment and training programs that focus on improving a person's employability through education, training, or counseling, a wage subsidy program provides a direct financial incentive for employers to hire unemployed people. This type of program generally has one or both of the following goals:

- To create additional jobs or retain existing jobs, particularly in economically depressed regions or times.
- To increase the employment and earnings of dislocated workers and other economically disadvantaged groups and thereby reduce dependence on public assistance.

In the first case, the purpose of the wage subsidy is to increase the number of jobs in a particular economy. The wage subsidy is intended to be a financial incentive for firms to add new jobs that they would not have added otherwise or persuade firms to retain jobs that they would have abolished or moved outside the state. When successful, the subsidy enables dislocated workers and other unemployed persons to obtain jobs that would not otherwise exist.

To achieve this goal, a wage subsidy program needs to involve employers who would not have increased their labor force without the subsidy. For employers who would have added the new jobs anyway, the subsidy is merely a windfall and an unnecessary public expenditure. In addition, a wage subsidy program needs participation from the types of firms and industries whose increased employment does not come at the expense of other firms in the economy. For example, subsidies to firms that export goods and services to other states or countries or that provide Minnesotans with products or services that were formerly purchased from out-of-state firms would be preferable to subsidies to retail firms that do business locally. Increased employment at local retail firms is more likely to come at the expense of other local retail firms that do not obtain wage subsidies.

In the second case, the purpose of a wage subsidy is to increase the employment and earnings of dislocated workers and other economically

disadvantaged groups over what they would have achieved without a wage subsidy. The wage subsidy may compensate an employer for providing retraining to a dislocated worker. Alternatively, the subsidy may compensate an employer for taking a chance on a welfare recipient or other person with less work experience or less education than other job candidates. By providing a bridge to unsubsidized employment, the wage subsidy enables a person who would otherwise remain unemployed and perhaps on public assistance to become gainfully employed.

A wage subsidy is desirable for a dislocated worker, public assistance recipient, or other disadvantaged person if it either creates or retains a job or enables a person to earn more than he or she would earn otherwise. Unless a job is created or retained, the subsidy should also enable a person to earn more than he or she would earn following assistance from a less expensive program such as job search assistance.

A wage subsidy program may meet the first goal for some of its clients and the second goal for others. At times, both goals could be met for the same clients.

As a result, one must be careful to judge the effectiveness of a wage subsidy program based on whether each individual subsidy meets at least one of the goals. The program should not be expected to meet both goals for each worker whose employment it subsidizes.

Minnesota operates two types of wage subsidy programs: the state-funded Minnesota Employment and Economic Development (MEED) program and the federally-funded Targeted Jobs Tax Credit (TJTC) program. The MEED program provides a direct subsidy to employers, while the TJTC program provides an indirect subsidy through federal tax credits.

Most of this chapter focuses on MEED. We first discuss how the program has changed since it began in 1983. Next, we review available data to see how useful they are in assessing MEED's effectiveness. In particular, we focus on the following questions:

- How effective is MEED in increasing the number of jobs in Minnesota?

- How effective is MEED in increasing the employment and earnings of dislocated workers and other economically disadvantaged groups and in reducing dependence on public assistance?

However, existing data are limited, particularly regarding the second question. Consequently, precise answers to these question are not possible.

It is possible using existing data and research to explore options for increasing the program's effectiveness. We offer several options for legislative consideration and suggest ways in which the state could provide better guidance to program administrators about the role wage subsidies should play compared to other employment and training programs. In addition, we make recommendations for future data collection and analysis.

The remainder of the chapter discusses the Targeted Jobs Tax Credit. Data suggest that these federally-funded tax credits have been less successful than Minnesota's MEED program. However, since the state pays only for the costs of administering or marketing the TJTC program, we examine whether Minnesota could make better use of the program.

A. MINNESOTA EMPLOYMENT AND ECONOMIC DEVELOPMENT PROGRAM

The Minnesota Emergency Employment Development program was originally established by the 1983 Legislature in response to the worst economic recession in Minnesota since the 1930s. The Legislature appropriated $70 million for the program with the intent that it get as many unemployed persons working as soon as possible. Because of concerns over how well the private sector would respond to the program, the Legislature permitted program administrators to use up to 60 percent of the funds for public jobs. Households without other income and applicants eligible for General Assistance (GA) were given priority for subsidized jobs.

In 1984, the Legislature appropriated an additional $30 million for the program. The 1984 Legislature also made a number of program changes. Most significant of the changes was a reduction in the percentage of funds that could be used for public jobs. Because the private sector had responded well to the program and general economic conditions were improving in Minnesota, the Legislature reduced the maximum percentage of funds available for public jobs from 60 percent to 40 percent. The Legislature also placed increased emphasis on serving GA eligibles, particularly in areas with lower than average unemployment rates.

The 1985 Legislature extended the program, changed its name to the Minnesota Employment and Economic Development (MEED) program, and appropriated an additional $27 million. The Legislature also made a number of changes in the program. These changes, as well as a general outline of how the subsidy works, are provided below.

1. BACKGROUND

MEED provides a financial incentive for employers to hire and retain program participants. Employers receive a subsidy of up to $4.00 per hour for wages and up to $1.00 per hour for fringe benefits for each participant hired. The subsidy is generally limited to 1,040 hours of work over a period of 26 weeks.

The subsidy is available for either private or public sector jobs. However, state law requires that program administrators give priority to funding private sector jobs to the extent that private businesses apply for the wage subsidies. In addition, the 1985 Legislature required that no more than 25 percent of the wage subsidies, if possible, be allocated for temporary jobs with public or nonprofit agencies. The 25 percent limit is a reduction from the 40 percent maximum imposed by the 1984 Legislature.

State law requires private sector employers to keep MEED participants on the payroll for one year after the six-month subsidy ends, or else pay back a portion of the wage subsidy. If an employer does not retain an employee after the subsidy period, 70 percent of the subsidy must be repaid. This amount decreases each month that an employer retains a MEED employee. Alternatively, through a process called *backfilling*, an employer may avoid repaying the subsidy by hiring another MEED participant to replace one who leaves within one year of the subsidy period.

State law requires that each business receiving a subsidy certify that the funds will be used to increase employment opportunities over those which would otherwise be available. In addition, the subsidy must not be used to displace existing employees or to hire a person whose job responsibilities would be the same as anyone who is on layoff. State law requires program administrators to give priority to businesses which have a high potential for growth and long-term job creation, are small or labor intensive, use local and Minnesota resources, are owned by women or minorities, use new technology, produce energy conserving materials, or have their primary place of business in Minnesota.

Several important changes were made in the program by the 1985 Legislature:

- People eligible for Aid to Families with Dependent Children (AFDC) and members of farm families in financial need were added to the two existing priority groups (people living in households with no income and people eligible for General Assistance).
- Funding for the MEED program was decreased from the $100 million appropriated during 1983 and 1984 to $27 million.
- Local service units (counties and cities of the first class) were given the authority to select the MEED service provider within their jurisdiction.
- A new coordinating agency, the Office of Full Productivity and Opportunity, was created and given 30 percent of the MEED allocation, most of which was allocated for state discretionary grants to local service units.

a. New Priority Groups

To be eligible for the program, a person must be:

- a state resident for at least one month,
- unemployed,
- not receiving or eligible to receive unemployment compensation or workers' compensation, and
- likely to be available for work for the duration of the job.[1]

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[1]Minn. Stat. §268.672, subd. 6.

Service providers may enroll any Minnesotan meeting these criteria in the MEED program. State law requires, however, that members of certain groups be given priority over other eligible applicants.

The original MEED legislation identified two priority groups within the eligible population: (1) members of households with no other income, and (2) people who would otherwise be eligible to receive General Assistance. The 1985 Jobs Bill added two more priority groups to MEED: (1) people eligible for Aid to Families with Dependent Children (AFDC), and (2) members of farm households able to demonstrate severe financial need. People eligible for AFDC or GA include those on public assistance as well as those not on public assistance but whose income level (and resources in the case of GA) would qualify them for AFDC or GA.

In separate legislation, the 1985 Legislature created a Work Readiness program for employable GA recipients. As a result, people eligible for Work Readiness became another priority group for the MEED program.

Since its establishment in 1983, MEED has steadily increased the percentage of its participants who are eligible for public assistance. From July 1983 through April 1984, the percentage of participants who were GA eligibles was 35 percent. This percentage grew to about 45 percent during the period May 1984 through December 1984.

With the addition of the AFDC eligible and WR eligible groups in 1985, the percentage of MEED participants who are eligible for public assistance grew again. From July 1985 through December 1986, public assistance eligibles accounted for 55 percent of all MEED participants.

In addition, as Table 3.1 shows, the percentage of participants not from any priority group has declined significantly. The percentage went from 36 percent prior to July 1, 1985, to 19 percent since then.

In 1985, the Legislature also changed some features of MEED to help local service units deal with the increased numbers of long-term unemployed people expected to participate in the program. Before that, people enrolled in public sector MEED jobs were not allowed to participate in private sector MEED after they had completed the subsidy period. The new legislation allows people to move from a public sector job to a private sector job if they are members of one of the priority groups. This feature enables harder-to-employ persons to obtain additional work experience prior to being placed in a competitive private sector job. At the same time, the maximum percentage of placements in temporary public and nonprofit jobs was reduced from 40 percent to 25 percent statewide.

To help ensure that counties would provide the option of temporary public employment for the long-term unemployed, the Legislature required local service units to establish Community Investment Programs (CIPs). After February 15, 1986, any local service unit without an approved CIP would no longer be eligible for wage subsidy funds.

TABLE 3.1

MEED PARTICIPANTS BY PRIORITY STATUS
ORIGINAL AND CURRENT PROGRAMS

Participant Groups	Percent of Original MEED Program Participants July 1983-June 1985 (Cumulative)	Percent of Current MEED Program Participants July 1985-December 1986 (Cumulative)
ELIGIBLE FOR PUBLIC ASSISTANCE		
Work Readiness Eligible[a]	N/A	21.6%
General Assistance Eligible	38.3%	19.4
AFDC Eligible[a]	N/A	13.6
NOT ELIGIBLE FOR PUBLIC ASSISTANCE		
Household with No Income	25.8	22.7
Farm Household in Severe Financial Need[a]	N/A	4.0
NON-PRIORITY PARTICIPANTS		
Others Eligible for MEED	35.8	18.7
	99.9%	100.0%

Source: Department of Jobs and Training.

[a]These groups were first designated as priority groups by the 1985 Legislature. Consequently, the percentage of original program participants from these groups is not known and is probably negligible.

CIPs must provide participants with training and work experience. In addition, they must include activities that benefit the public by expanding or improving public services, improving or maintaining natural resources, making permanent improvements to lands and buildings, or weatherizing public buildings and private residential dwellings.

CIP wages must be comparable to those earned for similar work and are subsidized by MEED funds. The state MEED program provides 75 percent of the wage subsidy, while counties are required to provide 25 percent. CIP wage subsidies are limited to 780 hours of work over 26 weeks.

b. Funding

The 1985 Legislature appropriated $27 million for MEED. This was a significant reduction from the 1983 and 1984 appropriations that totaled $100 million. Of the $27 million, up to one-half percent was available to the

Department of Jobs and Training for central program administration. The remainder of the funds was divided as follows:

- Seventy percent was allocated to local service units based on the AFDC and Work Readiness caseloads and the number of unemployed persons in each local service unit.

- Thirty percent was allocated to the coordinator of the Office of Full Productivity and Opportunity.

Local service units must use most of their allocations for wage subsidies. However, up to 25 percent can be used to subsidize fringe benefits and to provide job search assistance, labor market orientation, job seeking skills, necessary child care services, relocation, and transportation. No more than five percent of local allocations can be used for administrative expenses.

Most of the funds allocated to the coordinator's office are available for wage subsidies. These funds are distributed to eligible local service units at the coordinator's discretion. Up to 25 percent of the allocation to the coordinator's office may be used to support its administrative costs and the development of a computerized intake, referral, and inventory system (IRIS). The goals of the computerized system are: (1) to enable each local client intake point to match a client's needs to available jobs or appropriate services, and (2) to provide client tracking.

Table 3.2 summarizes how the $27 million appropriation was allocated. The figures reflect a $880,000 reduction in state funds available for development of IRIS. This cut was part of the larger state budget reductions necessary to balance the 1986-87 biennial budget. Federal funds available to the Minnesota Department of Human Services are currently being used to develop a computer system that will incorporate the features of IRIS. Table 3.2 does not reflect a $1.2 million budget cut made to wage subsidy allocations because the Department of Jobs and Training is planning to use payback funds collected from employers to absorb that budget reduction.

c. Local Role

Prior to the 1985 legislation, the MEED coordinator designated service delivery areas and named local employment administrators to operate MEED. Except for the metropolitan Twin Cities area, the areas corresponded to the service delivery areas established under the federal Job Training Partnership Act.

The 1985 statutory changes, however, altered this administrative structure. Effective January 1, 1986, each county or city of the first class was designated as a local service unit and was given administrative control of the MEED program within its geographical boundaries. A local service unit could choose to administer an independent MEED program, cooperatively operate a program with other local service units, or contract with a service provider.

The transfer of authority to local service units resulted in major changes in employment administrators outside the Twin Cities area. Forty of

TABLE 3.2

MEED ALLOCATIONS
FROM THE 1985 APPROPRIATION

COUNTIES	
July-December 1985	$ 5,572,000
January-December 1986	8,822,332
January-July 1987	4,411,168
Subtotal	$18,805,500
OFFICE OF FULL PRODUCTIVITY AND OPPORTUNITY	
Grants Made for 1986 and 1987	6,020,378
Grants To Be Made	14,122
Administration and IRIS System	1,145,000
Subtotal	$ 7,179,500
CENTRAL ADMINISTRATION	$ 135,000
TOTAL	$26,120,000[a]

Sources: Department of Jobs and Training, Office of Full Productivity and Opportunity.

[a]This figure reflects the $880,000 reduction in state appropriations to the Office of Full Productivity and Opportunity.

Minnesota's 87 counties discontinued using the Minnesota Job Service. Consequently, the number of counties in which the Job Service operates MEED has dropped from 54 to 14.

However, the transfer of authority did not cause many counties to administer their own MEED program. Only one additional county chose to administer its own MEED funds. Each of the other 39 counties that dropped Job Service has joined with other counties and contracted with other employment administrators.

Table 3.3 provides additional details on the administrative changes that have taken place. Table 3.4 lists the MEED funds allocated to each local service unit during 1986.

TABLE 3.3

MEED PROVIDERS
ORIGINAL AND CURRENT PROGRAM

Region (and Counties)	Original Program	Current Program
NORTHWEST MINNESOTA		
Kittson, Marshall, Roseau Pennington	Crookston Economic Security Department (Job Service)	Thief River Falls DJT (Job Service)
Norman, Polk, Red Lake		Crookston DJT (Job Service)
RURAL MINNESOTA CEP		
Becker, Beltrami, Clay, Cass, Clearwater, Crow Wing, Grant, Hubbard, Lake of the Woods, Mahnomen, Morrison, Pope, Stevens, Traverse, Wilkin, Douglas, Otter Tail, Todd, Wadena	Rural MN CEP	Rural MN CEP
NORTHEAST MINNESOTA		
Aitkin, Carlton, Cook Koochiching, Lake, Itasca, St. Louis (except Duluth)	Arrowhead Economic Opportunity Agency (AEOA)	Arrowhead Economic Opportunity Agency
City of Duluth	St. Louis County Board (CIP)	St. Louis County Board (CIP)
CENTRAL MINNESOTA (PIC 5)		
Chisago, Isanti, Kanabec, Meeker, Mille Lacs, Pine, Renville, Sherburne, Wright	Economic Security Department, St. Cloud (Job Service)	Regional Professional Vocational Services (RPVS)
Benton, Stearns, Kandiyohi, McLeod		DJT (Job Service)
SOUTHWEST MINNESOTA		
Big Stone, Chippewa, Lac Qui Parle, Swift, Yellow Medicine	Economic Security Department, St. Paul (Job Service)	Montevideo JTPA
Murray, Lincoln, Lyon, Pipestone, Redwood		Marshall JTPA
Cottonwood, Jackson, Nobles, Rock		Worthington JTPA

Table 3.3, continued

Region (and Counties)	Original Program	Current Program
SOUTH CENTRAL MINNESOTA		
Blue Earth	Economic Security Department, Mankato (Job Service)	Blue Earth Employment and Training
Faribault		Faribault Employment and Training
Watonwan		Watonwan Employment and Training
Brown, Sibley		New Ulm DJT (Job Training Office)
Martin		Fairmont DJT (Job Training Office)
LeSueur, Nicollet, Waseca		MN Valley Action Council (MVAC)
SOUTHEAST MINNESOTA		
Dodge, Fillmore, Freeborn, Houston, Mower, Olmsted	Economic Security Department, Winona (Job Service)	Southeastern MN Community Action Council (SEMCAC)
Goodhue, Rice, Steele, Wabasha, Winona		Goodhue, Rice, Wabasha Community Action Council (GRWCAC)
WEST METRO AREA		
Carver	Carver Co. Employment and Training	Carver Employment and Training
Scott	Scott Co. Employment and Training	Scott Co. Employment and Training
Hennepin	Hennepin Co. Training and Employment Assistance	Hennepin Co. Training and Employment Assistance
City of Minneapolis	Minneapolis Employment and Training	Minneapolis Employment and Training
EAST METRO AREA		
Anoka	Anoka JTPA	Anoka Co. JTPA
Dakota	Dakota JTPA	Dakota Co. JTPA
Washington	Washington JTPA	Washington Co. JTPA

Table 3.3, continued

Region (and Counties)	Original Program	Current Program
Ramsey	Ramsey JTPA	Ramsey Co. JTPA
City of St. Paul	St. Paul Job Creation and Training	St. Paul Job Creation and Training

Source: Department of Jobs and Training.

TABLE 3.4

1986 MEED ALLOCATIONS:
BY EMPLOYMENT ADMINISTRATOR AND COUNTY

January-December 1986

	Wage Subsidy	Carry Over From December 1985	Discretionary Grants	Total
NORTHWEST MINNESOTA--DEPARTMENT OF JOBS AND TRAINING				
Kittson	$ 14,462	$ 22,545	--	$ 37,007
Marshall	39,601	48,575	--	88,176
Pennington	34,887	90,120	--	125,007
Roseau	33,323	51,421	--	84,744
Norman	17,169	26,779	--	43,948
Polk	89,377	143,835	--	233,212
Red Lake	16,427	34,084	--	50,511
Total	$ 245,246	$ 417,359		$ 662,605
NORTH CENTRAL MINNESOTA--RURAL MINNESOTA CEP, INC.				
Becker	$ 95,582	$ 76,980	$ 274,678	$ 447,240
Beltrami	111,916	120,838	371,487	604,241
Cass	81,541	80,475	368,369	530,385
Clay	102,415	93,165	10,512	206,092
Clearwater	50,178	47,084	47,319	144,581
Crow Wing	125,013	109,757	12,831	247,601
Grant	13,425	9,220	10,814	33,459
Hubbard	46,942	32,644	4,818	84,404
Lake of the Woods	8,638	5,931	887	15,456
Mahnomen	21,255	23,639	55,145	100,039
Morrison	84,330	114,042	96,016	294,388
Pope	22,953	21,734	2,356	47,043
Stevens	18,152	16,585	1,863	36,600

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Table 3.4, continued

	Wage Subsidy	Carry Over From December 1985	Discretionary Grants	Total
Traverse	9,039	6,206	928	16,173
Wilkin	16,360	11,233	1,679	29,272
Douglas	58,609	51,336	6,016	115,961
Otter Tail	128,951	108,653	13,235	250,839
Todd	57,419	54,712	5,893	118,024
Wadena	33,610	27,452	3,450	64,512
Total	$1,086,328	$1,011,686	$1,288,296	$3,386,310
NORTHEAST MINNESOTA--ARROWHEAD ECONOMIC OPPORTUNITY AGENCY, INC.				
Aitkin	$ 56,984	$ 66,314	$ 150,174	$ 273,472
Carlton	91,497	338,038	180,774	610,309
Cook	12,549	24,707	56,608	93,864
Koochiching	68,638	90,978	95,263	254,879
Lake	36,331	66,019	42,185	144,535
Itasca	158,450	188,032	289,002	635,484
St. Louis	502,174	853,928	959,284	2,315,386
Total	$ 926,623	$1,628,016	$1,773,290	$4,327,929
CITY OF DULUTH	$ 264,280	$ 559,685	--	$ 823,965
CENTRAL MINNESOTA--PRIVATE INDUSTRY COUNCIL 5				
Chisago	$ 60,641	$ 70,462	--	$ 131,103
Isanti	56,195	54,694	--	110,889
Kanabec	39,561	76,849	--	116,410
Meeker	46,728	104,710	--	151,438
Mille Lacs	53,735	53,473	--	107,208
Pine	70,496	114,243	--	184,739
Renville	50,285	75,361	--	125,646
Sherburne	72,275	129,721	--	201,996
Wright	132,207	270,922	--	403,129
Total	$ 582,123	$ 950,435[a]		$1,532,558
CENTRAL MINNESOTA--DEPARTMENT OF JOBS AND TRAINING				
Benton	$ 61,410	$ 178,029	--	$ 239,439
Stearns	238,828	558,124	$ 98,500	895,452
Kandiyohi	85,352	84,388	--	169,740
McLeod	56,115	121,347	--	177,462
Total	$ 441,705	$ 941,888	$ 98,500	$1,482,093
SOUTHWEST MINNESOTA--SOUTHWEST MINNESOTA PRIVATE INDUSTRY COUNCIL				
Big Stone	$ 15,124	$ 26,875	$ 37,619	$ 79,618
Chippewa	35,121	60,070	45,	

Table 3.4, Continued

	Wage Subsidy	Carry Over From December 1985	Discretionary Grants	Total
Swift	32,393	172,250	102,628	307,271
Yellow Medicine	27,733	39,243	77,261	144,237
Murray	25,828	35,060	70,699	131,587
Lincoln	14,595	20,926	4,690	40,211
Lyon	54,798	46,163	17,607	118,568
Pipestone	16,588	20,492	5,330	42,410
Redwood	34,854	57,339	11,199	103,392
Cottonwood	25,239	20,507	8,110	53,856
Jackson	21,803	30,478	7,005	59,286
Nobles	41,887	37,448	175,075	254,410
Rock	13,445	13,234	54,198	80,877
Total	$ 377,988	$ 607,123	$ 622,801	$1,607,912
BLUE EARTH COUNTY	$ 97,708	$ 7,528	--	$ 105,236
SOUTH CENTRAL MINNESOTA--SOUTH CENTRAL PRIVATE INDUSTRY COUNCIL				
Faribault	$ 39,266	$ 49,204	--	$ 88,470
Martin	47,517	26,697	--	74,214
Watonwan	22,705	2,935	$ 185,000	210,640
LeSueur	57,272	13,086	--	70,358
Nicollet	42,937	6,308	--	49,245
Waseca	32,306	13,799	--	46,105
Total	$ 242,003	$ 112,029	$ 185,000	$ 539,032
SOUTH CENTRAL MINNESOTA--DEPARTMENT OF JOBS AND TRAINING				
Brown	$ 54,818		--	$ 54,818
Sibley	32,387		--	32,387
Total	$ 87,205			$ 87,205
SOUTHEAST MINNESOTA--SOUTHEAST MINNESOTA PRIVATE INDUSTRY COUNCIL				
Dodge	$ 35,957	$ 19,153	--	$ 55,110
Fillmore	50,933	27,338	--	78,271
Freeborn	72,589	34,481	--	107,070
Goodhue	71,860	59,066	--	130,926
Houston	34,225	11,089	--	45,314
Mower	73,846	25,705	--	99,551
Olmsted	150,300	278,975	--	429,275
Rice	92,212	47,092	--	139,304
Steele	50,713	79,090	--	129,803
Wabasha	43,385	31,826	--	75,211
Total	$ 676,020	$ 613,815		$1,289,835
SOUTHEAST MINNESOTA--DEPARTMENT OF JOBS AND TRAINING				
Winona	$ 90,868	$ 51,263	$ 98,239	$ 240,370

Table 3.4, Continued

	Wage Subsidy	Carry Over From December 1985	Discretionary Grants	Total
METRO AREA:				
ANOKA COUNTY	$ 336,309	$ 482,995	$ 200,000	$1,019,304
DAKOTA COUNTY	301,528	299,557	100,000	701,085
CARVER COUNTY	46,073	35,763	100,000	181,836
HENNEPIN COUNTY	658,915	579,348	722,500	1,960,763
CITY OF MINNEAPOLIS	1,186,787	703,184	264,610	2,154,581
RAMSEY COUNTY	229,517	327,486	100,000	657,003
CITY OF ST. PAUL	705,168	1,493,534	200,000	2,398,702
SCOTT COUNTY	77,985	180,509	--	258,494
WASHINGTON COUNTY	161,953	269,907	175,000	606,860
Metro Area Total	$3,704,235	$4,372,283	$1,862,110	$9,938,628
GRAND TOTAL	$8,822,332	$11,273,110	$5,928,234	$26,023,676

Source: Department of Jobs and Training.

d. Discretionary Grants

The 1985 legislation made the Coordinator of Full Productivity and Opportunity responsible for distributing approximately $6 million of MEED funds to local service units. In making these discretionary grants, the coordinator is required to give priority to local service units that have:

- high numbers of farmers who can demonstrate severe household financial need;
- demonstrated success in placing public assistance applicants in private sector jobs;
- demonstrated need beyond their statutory allocation;
- maximized use of money through coordination with other programs and state, local, and federal agencies, and through the use of matching money from private and nonprofit sources;

- demonstrated need to provide special assistance in order to serve unemployed persons who incur unusual costs such as necessary relocation expenses; or
- high unemployment rates.[2]

According to staff at the coordinator's office, the proposals submitted by local service units are evaluated on five criteria:

1. The ability of the provider to carry out the proposal.
2. Linkage to a Department of Energy and Economic Development financial package to a business that would create jobs.
3. Involvement with AFDC Grant Diversion or Supported Work programs.
4. The degree of economic distress in the county or area requesting additional funds.
5. The past performance of the provider, as documented in monitoring reports from the Department of Jobs and Training.

Nearly all of the $6 million available for the 1986-87 biennium has been allocated. Approximately three-fourths of the allocated funds have been used to subsidize 1,125 jobs. Other uses of the discretionary grants include relocation assistance, farm outreach, additional carryover funds, an agricultural information center, and a distressed farmer project. Table 3.5 shows the projects funded in 1986 by the discretionary money.

TABLE 3.5

MEED DISCRETIONARY FUNDS

Fiscal Years 1986 and 1987

Grantee	Amount	Project
Rural Minnesota CEP	$1,080,000	Indian Public Sector Placements
Washington County	100,000	Private Sector Placements
AEOA	420,000	Indian Public Sector Placements
Dakota County	100,000	Private Sector Placements
Hennepin County	130,000	Iron Range Relocation
AEOA	626,040	Relocation Assistance
SW PIC	74,256	Private Sector Placements
South Central PIC	150,000	Private Sector Placements
Rural Minnesota CEP	499,000	Relocation Assistance
St. Paul	200,000	Private Sector Placements

[2]Minn. Stat. §268.6751, subd. 1.

Table 3.5, Continued

Grantee	Amount	Project
Minneapolis	260,000	Public/Private Sector Placements for AFDC Recipients
SW PIC	16,598	Private Sector Placements
Montevideo	10,920	Farm Outreach Program
Anoka Jobs Training	200,000	Private Sector Placements for AFDC Recipients
Hennepin TEA	200,000	AFDC Training and Placement
Hennepin TEA	5,000	Placement for AFDC Recipients
Carver County	100,000	Private Sector Placements
Winona Job Service	13,489	Additional Carry-over Funds
Washington County	75,000	Placement for Public Assistance Recipients
Ramsey JTC	100,000	Placement for Hard-to-Place Priority Eligibles
Montevideo Job Training	81,300	Private Sector Placements
Montevideo Job Training	34,125	Private Sector Placements
Rural Minnesota CEP	9,436	Agricultural Information Center
SW PIC	135,200	Distressed Farmer Project
AEOA	450,000	Placement for Public Assistance Recipients
Stearns County	98,500	CIP for Public Assistance Recipients and Farmers
Montevideo Job Training	32,760	Private Sector Placements
Montevideo	54,600	Private Sector Placements
Winona Job Service	84,750	Private Sector Placements and Job Club
Minneapolis Employment and Training	4,610	Agricultural Information Center
Watonwan County	35,000	Private Sector Placements
AEOA	277,250	Public Placements with Forestry Program
Worthington Jobs & Trng.	187,824	Private Sector Placements
Rural Minnesota CEP	87,360	Private Sector Placements
Worthington Jobs & Trng	87,360	Private Sector Placements
TOTAL	$6,020,378	

Source: Office of Full Productivity and Opportunity, "MEED Discretionary Funds: Summary of Projects Funded for FY 1986 and FY 1987".

2. ANALYSIS

In this section, we attempt to examine MEED's effectiveness. However, before proceeding, we need to point out the difficulties in evaluating a program like MEED. Questions about MEED's effectiveness are difficult to answer for several reasons.

First, MEED is unique; there is no comparable program anywhere. The federal government has used a variety of tax credit programs to subsidize wages, and European countries have used a variety of wage subsidy programs. Research on those programs can help guide a discussion of MEED's effectiveness. Research indicates, for example, what factors seem to be important in determining the success of wage subsidy programs. However, no study has evaluated a program structured and delivered exactly like MEED.

Second, the available data on MEED clients are limited. Although the Department of Jobs and Training has begun to collect useful client data on education level, recent work experience, public assistance use, and other client characteristics, these data were not available for use during our study.

As a result, we selected a random sample of MEED clients from seven service providers throughout the state. The sample provides some preliminary insights on the clients served by MEED since January 1986 but is not necessarily representative of the state.

Finally, it is difficult to evaluate a wage subsidy program like MEED because it has multiple goals. Analyzing statewide data on client characteristics and job creation, even if available, would not be sufficient. Each wage subsidy should be considered successful if it meets either of the two goals discussed earlier. A subsidy need not meet both goals in each instance.

The program could create jobs for unemployed and dislocated workers half of the time and assist welfare recipients and other disadvantaged clients overcome barriers to employment the other half. Analysis of statewide data might mask the underlying success of the program. But statewide data might also fail to distinguish between the successful pattern outlined above and a program that meets neither of the goals a significant fraction of the time. Consequently, a complete assessment of MEED might require a case-by-case analysis of whether each subsidy provided met at least one of the goals.

However, such an analysis would be a difficult task. First, it would be difficult to determine on an individual basis whether a particular job would have been created without the subsidy or, alternatively, whether it caused another employer to eliminate a job due to competition from the subsidized employer. This question can only begin to be addressed by a broader analysis of the general economic impact of the program.

Second, it would also be difficult to determine whether a MEED subsidy enabled a particular person to get off public assistance. The use of MEED

may coincide with the person's leaving public assistance but may not cause the person to leave. Using MEED with a relatively job-ready welfare recipient may not be necessary. Less expensive programs or even no intervention may work as well for some recipients. Only a "control group" study would help identify clients for whom MEED works and is most cost-effective and clients for whom MEED is not as effective as other programs or nonintervention.

Similarly, it would be difficult to determine how much other groups such as dislocated workers are helped by MEED without a control group study. Only such a study could determine conclusively whether and to what extent MEED helps dislocated workers obtain jobs that they would not have obtained without assistance or could have obtained with assistance from a less expensive program.

The lack of available and reliable data, the lack of comparable programs elsewhere, the multiplicity of goals, and the lack of control group studies all make MEED a difficult program to analyze. As a result, this chapter does not contain any definitive conclusion about MEED's effectiveness. Nevertheless, it does attempt to raise a number of important questions based on the limited insights provided by existing data.

a. Increasing Overall Employment Levels

(1) Existing Research

Economic theory generally concludes that it is possible for a wage subsidy program to increase employment levels if it primarily subsidizes low-paying, unskilled jobs. A subsidy of unskilled laborers has the potential to increase their employment without significantly decreasing the employment of skilled workers or adversely affecting inflation. According to economists who have studied wage subsidy programs, increased employment is possible because of the minimum wage, income maintenance programs, and the high wage elasticity of labor supply by low wage workers.[3]

A subsidy can bring about an increase in employment in two ways. First, there can be a "factor substitution effect" as businesses substitute labor for other factors of production such as capital. This occurs if the subsidy is marginal and reduces the cost of additional labor. Second, a subsidy can cause a "scale effect" as subsidized employers pass on lower labor costs by reducing product prices. Lower prices can bring about increased sales and thus increased production and employment.[4]

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[3]John Bishop, *The Targeted Jobs Tax Credit: What has Been Learned. A Statement before the Subcommittee on Economic Growth, Employment and Revenue Sharing, Committee on Finance*, Columbus, Ohio: The National Center for Research in Vocational Education, March 1984, p. 124.

[4]Peter Schwanse, "European Experience," in *Jobs for Disadvantaged Workers: The Economics of Employment Subsidies*, Robert H. Haveman and John L. Palmer, eds., Washington, D.C.: The Brookings Institution, 1982, p. 315.

Economic researchers have found, however, that this potential employment stimulus is not always realized. For example, researchers found that at least 80 percent of the jobs subsidized by the federal Targeted Jobs Tax Credit would have existed anyway.[5] Other researchers found that no more than 15 to 40 percent of the jobs subsidized by programs operated in Ireland, West Germany, France, and Great Britain genuinely created jobs.[6] Somewhat better results were obtained in studies of a Swedish program and a different British program. However, a European economist who has evaluated those studies concluded that: ". . . their underlying assumptions and methodologies are so weak that the available results must be regarded as more or less useless."[7]

Economists point to four different factors that can dilute the potential employment effects of a wage subsidy program. These factors include:

- financial displacement or windfall effects,
- labor market displacement,
- output displacement, and
- intertemporal displacement.[8]

Financial displacement refers to the use of a subsidy to finance hirings that would have occurred anyway. Even the best designed programs provide a windfall to some participating businesses which receive the subsidy but whose hiring decisions are not influenced by it.

Labor market displacement generally refers to the use of a subsidy to substitute a target group member for a worker who is not a member of a target group. If a subsidy is targeted too closely to particular groups, employers may be influenced to hire targeted laborers instead of others but may not create jobs in the process.

Labor market displacement can also result from increased wages. If the increased demand for labor caused by the subsidy results in higher wage rates, then the jobs directly created by the subsidy will be partially offset by reduced employment elsewhere. This second type of labor market

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[5]John Bishop and Mark Montgomery, *The Impact of Targeted Employment Subsidies on Employment at Subsidized Firms*, Columbus, Ohio: The National Center for Research in Vocational Education, Ohio State University, 1984.

[6]Schwanse, *op. cit.*, p. 312.

[7]*Ibid.*, p. 312.

[8]*Ibid.*, pp. 315-317. See also Orley Ashenfelter, "Evaluating the Effects of the Employment Tax Credit," *Conference Report on Evaluating the 1977 Economic Stimulus Package*, Washington, D.C.: U.S. Department of Labor, 1978.

displacement is usually not considered to be a significant factor when low-wage, unskilled labor is being subsidized.

Output displacement refers to the effect that increased production and sales by a subsidized business may have on its competitors. To some extent, increased sales by the subsidized business will cause its competitors' sales to decline. Employment at competing firms is likely to decline and to offset the increased employment at the subsidized firm.

If all businesses within and outside the state are included, output displacement could completely offset any induced employment increases, unless the wage subsidy program is large enough to affect aggregate demand in the economy.[9] However, from the state's perspective, only output displacement within Minnesota would be a concern. Effects on competitors from other states and foreign countries may not be of concern to Minnesota policymakers.

Within the state, output displacement is less likely to occur if subsidies are targeted to firms that export goods or services to other states or countries or that provide Minnesotans with products or services that would otherwise be purchased from firms outside of Minnesota. Then, the increased employment at subsidized firms would not likely come at the expense of competing Minnesota firms that are unsubsidized.

On the other hand, wage subsidies provided to businesses whose primary competition is within the state are more likely to have a strong output displacement effect. For example, assume that wage subsidies provided to a local retail business encouraged the owner of the business to hire five additional employees. However, if the subsidized business is successful, it will likely attract customers away from other local retail establishments that are unsubsidized. The subsidization of one firm would then cause other competing firms to reduce their employment levels. In the long run, the total number of jobs likely would be unaffected by the subsidy. Only if the subsidy is successful in attracting retail business from out of the state rather than from elsewhere within the state will state employment be increased.

Finally, *intertemporal displacement* can limit the impact that a subsidy has on employment. A subsidy that provides only a temporary incentive for an employer to hire additional workers is likely to have only a temporary effect on that employer. When the subsidy is gone, the employer is likely to adjust employment levels downward. As a result, some

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[9] If the program is large enough, aggregate demand may increase for two reasons. First, the price of labor-intensive goods may decline relative to the price of capital-intensive goods and cause a shift toward increased consumption of labor-intensive goods. Second, if the subsidy causes overall prices to fall because of competition, output and employment will increase. Thus, if aggregate demand increases, the output displacement effects may be partially offset. The extent to which aggregate demand is affected by a program the size of MEED is unknown. See Schwanse, *op. cit.*, p. 317.

economists suggest that a program that provides only a temporary subsidy should not be expected to create permanent jobs.[10]

However, even a temporary subsidy may be able to create permanent jobs, particularly if it provides sufficient working capital that enables a start-up firm to expand and become successful. Of course, due to output displacement, permanent job growth is more likely if the firm primarily competes with firms outside the state.

(2) MEED

Even though researchers are aware of the need to account for the displacement effects outlined above, it is rare for studies of various subsidy programs to estimate accurately the impact of all four types of displacement. Usually, most studies attempt to estimate the impact of one or two types of displacement indirectly. As a result, studies are not generally able to provide a precise estimate of what percentage of subsidized jobs would have existed anyway. They usually can only provide an upper estimate of the percentage of subsidized jobs that did not result in job creation or retention.

Similarly with MEED, one can examine what is known about actual displacement and can discuss whether other types of displacement are likely to occur with MEED. One can also compare MEED's likely impact with that of other subsidy programs. However, it is difficult to provide a comprehensive estimate of MEED's effect on permanent employment levels in Minnesota.

Consequently, in the remainder of this section, we discuss what is and is not known about the impact of the four types of displacement effects on job creation under MEED. In a later section, we consider whether job creation under MEED can be improved.

(a) Financial Displacement

There are data that provide an estimate of the financial displacement or windfall effects of MEED. Between August and November of 1984, the Jobs Now Coalition surveyed employers regarding their use of MEED. One of the survey questions asked employers how the MEED subsidy affected the size of their work force. Fifty-nine percent of responding firms said they would not have expanded to their present size without the MEED subsidy; four percent would not have expanded as quickly; and 37 percent said they would have expanded anyway.[11]

In addition, the survey showed that small businesses are much less likely to receive a windfall than large businesses. Roughly 67 percent of businesses with 20 or fewer employees would not have expanded to their present size without MEED, while about 40 percent of medium-size firms (21 to 99 employees) and about 25 percent of large firms (100 or more

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[10] Schwanse, *op. cit.*, p. 317.

[11] *MEED Means Business*, Jobs Now Coalition, December 1984, p. 13.

employees) felt the subsidy caused a change in the size of their work force.[12]

Typically, studies examining financial displacement report the percentage of subsidized jobs that would have existed anyway. In the case of MEED, it appears particularly important to focus on the percentage of jobs rather than the percentage of businesses receiving a windfall. While small firms are less likely to have received a windfall, they also received fewer subsidized MEED jobs on average than medium-size or large firms. Small firms responding to the survey had two MEED workers on average; medium-size firms hired five MEED workers each; and large firms had an average of ten MEED jobs.[13]

Consequently, we estimated the percentage of jobs that would have existed without the subsidy based on the data presented in the Jobs Now report. The estimate indicates that:

- Between 45 and 47 percent of subsidized jobs would have existed without the MEED subsidy, according to responding businesses.[14]

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[12]These figures are estimates. The Jobs Now survey reported only the number, and not the percentage, of firms of each size that said they would not have expanded their work force without MEED. Since we were told that the raw data from the survey were no longer available, we could only estimate these percentages by using other data presented in the survey report. The estimates adjust for the slight difference in response rates to the work force question and a question about the size of participating firms.

In addition, there is the question of how to deal with the four percent of firms that would not have expanded as quickly without MEED. This small group may have been influenced to expand more quickly, but not to expand any more than they would have in the long run without the subsidy. We first allocated all of them to the group that said the subsidy was required for expansion of their work force. Then we allocated half of them to that group and half to the group that would have expanded anyway. The two methods produce no more than a one or two percentage point difference in the results. We report above the average of the results from the two methods.

[13]These figures were obtained by using the data in two exhibits contained in *MEED Means Business*, *op. cit.*, p. 12.

[14]It would have been preferable to use the raw data collected through the survey, but we were told they were no longer available. The two estimated figures were obtained using methods similar to those described in footnote 12. A detailed explanation of these methods is available upon request.

Thus, the data suggest that the financial displacement effect is significant for MEED.[15] However, it is important to note that the windfall effect for MEED seems to be smaller than it is for other subsidy programs, particularly tax credit schemes. As we noted earlier, the windfall effect for the Targeted Jobs Tax Credit was estimated in one study to be 80 percent.

Tax credit subsidies may be less effective in creating jobs because they tend to attract large profitable firms. MEED, on the other hand, has attracted many small companies. Of the firms responding to the Jobs Now survey, 84 percent were small companies with 20 or fewer employees.[16]

(b) Labor Market Displacement

It is not known whether labor market displacement has much effect on MEED's job creation potential. Research suggests that labor market displacement is a more significant factor when a program narrowly targets particular categories of the labor force.[17] Then, employers are more likely to substitute targeted workers for non-targeted workers without increasing employment.

This is probably more of a problem with targeted tax credits than with MEED. The MEED program has been designed so that it serves a variety of unemployed persons and does not exclusively target people who are far from being job-ready.

Programs that exclusively target less job-ready people probably experience more labor market displacement. Alternatively, such programs may suffer from a lack of participation. They may stigmatize target group members in the eyes of employers if many targeted workers are lacking in necessary education and recent work experience.[18] In contrast:

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[15]Some researchers suggest that results obtained from a participant survey may overstate the program's job creation impact. Because firms that obtained a subsidy are required by law to certify that the job would not have been added without the subsidy, they may be reluctant to say that the subsidy did not affect the size of their work force. See Schwanse, *op. cit.*, p. 304. In addition, such firms may be reluctant to respond to a survey.

The effect of these factors on the results of the Jobs Now survey is not known. However, the effect may be limited since the survey was designed so that responding firms did not have to identify themselves.

[16]*MEED Means Business*, *op. cit.*, p. 12.

[17]Schwanse, *op. cit.*, p. 316.

[18]See the recommendations in Bishop, *op. cit.*, p. 123.

- MEED has increased the participation of people eligible for public assistance while continuing to attract a positive response from employers.

(c) Output Displacement

The extent to which MEED or any economic development subsidy causes output displacement is difficult to estimate directly. However, some indirect measures can be used to help understand the potential for output displacement. For MEED, these indirect measures include: (1) data on the percentage of participating firms that sell goods or services outside of Minnesota, (2) data comparing the distribution of MEED businesses by industrial sector to the distribution of all businesses in the United States with fewer than 500 employees, and (3) information on the extent to which the Minnesota Department of Energy and Economic Development uses the MEED program to persuade Minnesota firms to expand or retain jobs within the state or to attract businesses and jobs from outside the state.

The available data show significant exporting activity in the initial stages of the MEED program:

- Nearly 50 percent of participating firms responding to a survey indicated that they sold goods or services outside Minnesota.[19]

Although businesses were not asked if MEED caused them to increase their exporting activity, they were asked if MEED made it possible for them to expand their level of production or scale of operations. Sixty-nine percent of respondents agreed that MEED had made expanded production/scale of operation possible.[20] These data indicate that MEED, perhaps because it appeals to smaller businesses, was able to assist a significant number of Minnesota firms that have some out-of-state sales. The magnitude of those sales and the impact of MEED on those sales have not been measured.

Data on the distribution of participating businesses show that:

- The three largest sectors represented among responding MEED firms are service businesses (30 percent), retail businesses (25 percent), and manufacturing businesses (19 percent).

Table 3.6 provides a breakdown of the distribution of MEED businesses by industrial sector and compares it to the distribution of U.S. businesses. The comparison shows that the two distributions are similar but that manufacturing and service businesses are more prevalent in MEED. Construction and wholesale trade firms are less prevalent in MEED. Retail firms are slightly less prevalent in MEED (25 percent) than among U.S. small businesses (29 percent) but are the second largest sector represented in MEED.[21]

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[19] *MEED Means Business*, *op. cit.*, p. 19.

[20] *Ibid.*, p. 17. Eighteen percent disagreed and 13 percent either did not know or gave a nonapplicable response.

[21] *Ibid.*, p. 21.

TABLE 3.6

DISTRIBUTION OF BUSINESSES BY INDUSTRIAL SECTOR:
MEED BUSINESSES AND UNITED STATES SMALL BUSINESSES

Industrial Sector	Number of MEED Businesses	Percent	Number of U.S. Small Businesses	Percent
Agriculture	58	3.3%	123,669	2.8%
Manufacturing	339	19.2	377,145	8.6
Construction	133	7.5	622,209	14.2
Wholesale Trade	100	5.7	435,885	10.0
Retail Trade	444	25.2	1,266,821	29.0
Services	535	30.4	1,022,869	23.4
Finance, Insurance, Real Estate	120	6.8	330,147	7.6
Transportation, Communication, Utilities	33	1.9	154,741	3.5
Other	--	--	36,240	0.8
Total	1,762	100.0%	4,369,726[a]	99.9%

Source: Adapted from *MEED Means Business*, Jobs Now Coalition, December 1984, p. 21.

[a]Data on U.S. small businesses are from the U.S. Small Business Administration, Office of Advocacy, Small Business Data Base. The definition of a small business used by the Small Business Administration (SBA) includes larger businesses than the definition we used in describing MEED businesses. The SBA definition generally includes businesses with up to 100 employees.

Table 3.7 shows the distribution of service businesses--the largest sector of firms participating in MEED. Firms providing professional and related services (23 percent), business services (21 percent), repair services (18 percent), and personal services (16 percent) account for more than three-fourths of participating service businesses.[22]

Finally, one should also consider the fact that the Department of Energy and Economic Development (DEED) has used the MEED program to help persuade Minnesota businesses to retain and expand jobs and to attract businesses from elsewhere. According to data supplied by the Department of Jobs and Training:

[22]*Ibid.*, p. 22.

TABLE 3.7

TYPE OF SERVICE FIRMS IN MEED

Industry	Number of Firms	Percent
Personal Services	85	15.9%
Hotels and Other Lodging Places	33	6.2
Amusement and Recreation Services	15	2.8
Business Services	114	21.3
Professional and Related Services	123	23.0
Repair Services	96	17.9
Miscellaneous Services	69	12.9
Total	535	100.0%

Source: *MEED Means Business*, Jobs Now Coalition, December 1984, p. 22.

- Between July 1, 1983, and February 15, 1987, approximately 1,030 MEED-subsidized job slots were provided to private businesses funded or assisted by DEED.

This figure represents roughly six to seven percent of the private job slots funded by MEED.[23] Because most of the firms assisted by DEED are located outstate, the DEED/MEED connection has been more significant there than in the seven-county Twin Cities area. Roughly 12 percent of all private MEED slots in outstate Minnesota were provided to businesses funded or assisted by DEED. Less than one percent of private MEED jobs in the Twin Cities metropolitan area went to businesses assisted by DEED.

Overall, it is difficult to estimate the amount of output displacement caused by MEED. The data on exporting activity, the attraction of manufacturing firms, and the DEED/MEED connection suggest that MEED is much better designed than various federal tax credit schemes to elicit participation from the types of businesses that are more likely to increase employment without adversely affecting Minnesota competitors.

Nevertheless, 25 percent of the firms using MEED are retail businesses. It is more likely in the retail sector than in others that subsidizing

[23]An alternative measure of the scope of the DEED/MEED connection would be to calculate the number of DEED/MEED jobs as a percentage of all jobs that DEED says it has created or retained through assistance from its various programs. According to data provided by DEED, about nine percent of the jobs created or retained through DEED activities from July 1, 1983, to September 30, 1986, were MEED-subsidized jobs.

increased employment at one Minnesota business will result in lower employment at another Minnesota business. Also, the extent to which subsidized businesses in other sectors have Minnesota competitors is not known. Even in the manufacturing sector, Minnesota firms sometimes are competing primarily with other Minnesota businesses.[24]

(d) Intertemporal Displacement

As pointed out earlier, researchers suggest that programs providing temporary subsidies to businesses are likely to have only a temporary effect on employment. It has been suggested by some, however, that MEED has a permanent effect. According to the Department of Jobs and Training:

> There is clear evidence that these jobs are permanent. In follow-up done 60 days after the subsidy ends, 85% are still employed.[25]

We agree that private MEED job slots tend to last at least that long.[26] In fact, data from earlier stages of the program indicated that 97.5 percent of private job slots remained in existence up to 60 days after the six-month subsidy period.[27]

MEED is better designed than most programs that provide a temporary wage subsidy. Because of MEED's payback requirement, businesses have an

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[24]In a 1985 report, we pointed to the need for the Department of Energy and Economic Development to more carefully examine the effect its loan and grant programs have on employment at Minnesota businesses competing with loan and grant recipients. Even though the department primarily provides assistance to manufacturing firms, department management agreed with the need for more careful review and implemented new procedures. See *Economic Development*, Office of the Legislative Auditor, Program Evaluation Division, March 1985.

[25]Information provided by the Department of Jobs and Training to a hearing conducted by the Income Maintenance and Welfare Reform Division of the Senate Health and Human Service Committee, February 20, 1987, p. 3.

[26]One must be careful to distinguish between (1) the percentage of private MEED job slots that continue to exist and (2) the percentage of MEED workers who continue in those jobs. In this section, we are referring to the first percentage. Since MEED workers sometimes leave MEED jobs, the latter percentage is lower. Between July 1, 1985, and December 31, 1986, about 31 percent of MEED workers left their MEED jobs either before the end of the subsidy period or within the following 60 days. However, MEED employers sometimes refill the vacated positions with other eligible MEED workers. In judging the permanence of job creation through MEED, one should focus on the permanence of the job slots rather than the permanence of individual workers in those jobs.

[27]*MEED Works: A Look at Minnesota's Investment in People, Jobs and Communities*, Jobs Now Coalition, March 1985, p. 8.

incentive to retain a MEED worker for an additional 12 months after the six-month subsidy period. As a result, one would expect most private businesses to retain the MEED job for up to 18 months.

Consequently, a follow-up that finds most private MEED jobs continuing up to eight months is not surprising. One would need to follow up the behavior of employers at some point after the 18-month period to ascertain whether MEED jobs were permanent.

Without such data, it is not possible to assess completely the permanence of MEED jobs. Clearly, MEED has been much more successful than some programs in providing a counter-cyclical stimulus to the economy during a recession.[28] Whether MEED jobs exist beyond an 18-month period has not been examined.[29]

(e) Recap

In summary, MEED's impact on Minnesota employment is not known with precision. There are a number of strong points for the program:

- MEED has increased the participation of people eligible for public assistance while continuing to attract a positive response from employers.
- MEED has been successful in attracting small businesses and manufacturing firms.
- MEED's payback feature creates an incentive for most participating businesses to continue MEED jobs for at least 18 months.

Overall, these points suggest that MEED's unique design probably has permitted it to equal or surpass the performance of other wage subsidy programs, particularly targeted tax credit programs.

On the other hand, there are some limitations to MEED's impact on employment:

- Data indicate that about 45 percent of the jobs subsidized by MEED would have existed without the subsidy.

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[28]See the results of a General Acounting Office report on a federal jobs program cited in a recent editorial, "A Lesson to Remember About 'Jobs Programs'," *Minneapolis Star and Tribune*, February 13, 1987, p. 14A.

[29]Even if 18-month follow-up data existed, one would have to be careful in interpreting the data. For example, jobs that continued to exist beyond 18 months could be, in part, jobs that initially would have been created anyway (through the windfall effect) or jobs that displaced employment at competing firms (through the output displacement effect). Thus, a tally of the number of permanent jobs would need to be adjusted accordingly.

- In addition, job creation from MEED subsidies is probably partially offset by MEED's impact on nonsubsidized Minnesota businesses that compete with subsidized firms. This displacement effect is most likely to occur with retail businesses, which account for 25 percent of the firms receiving MEED subsidies.

Combining the windfall and output displacement effects, it is likely that fewer than 50 percent of the subsidized jobs represent genuine job creation.

b. Assisting the Unemployed and Reducing Welfare Dependence

(1) Limitations on Evaluation

The second goal for MEED is to increase the employment and earnings of dislocated workers and other economically disadvantaged groups and to reduce dependence on public assistance. In this section, we consider this goal separately from the goal of job creation. The issues are:

- To what extent does MEED enable dislocated workers or other disadvantaged groups such as welfare recipients to permanently increase their employment and earnings above what they would have obtained without any assistance or with assistance from a less expensive program?

- To what extent does MEED enable public assistance recipients to leave welfare or enable others to avoid going on welfare?

As we mentioned earlier, it is difficult to answer these questions without a "control group" study. Reliable estimation of program effects requires a comparison of changes in the employment and earnings of participants to changes in a randomly assigned control group that does not participate in the program. Comparisons to the control group enable one to estimate what would have happened to participants in the absence of the program and thus isolate the effect of the program. If other programs have been similarly studied, the net impact of several programs can be compared.

Without such a technique, a program that has little positive impact could be mistakenly called successful. For example, a program that primarily serves job-ready individuals might have high job placement rates. But comparisons to a control group might show that a nearly equal percentage of non-participants were able to obtain employment without the program. In that case, the program would not be responsible for the placements and would not be successful.

On the other hand, an employment and training program that serves people who are less job-ready could mistakenly be labeled less successful than one serving the job-ready. Such a program might have a lower placement rate but a greater impact on participants' earnings. Only a control group comparison could reliably establish that fact.

The use of control groups is of equal importance for employment and training programs serving welfare recipients. For example, most AFDC recipients leave AFDC within two or three years--many without government intervention. Only 10 to 15 percent are long-term recipients and they account for a majority of the costs of AFDC. Consequently, it may not be cost-effective to expend significant resources to move short-term recipients off welfare.

MEED, like most employment and training programs, was not established with evaluation in mind. Control groups have not been set up, so a thorough evaluation of program results is not possible.

However, it may be possible to draw some tentative conclusions from information on the types of clients served by MEED. Research increasingly suggests that employment and training programs are most effective in increasing employment and earnings when their participants are more disadvantaged. Programs serving those with less than a high school degree or without recent work experience tend to have a greater impact than programs serving the more job-ready. Similarly, programs serving AFDC recipients have been found to have greater positive effects for less job-ready recipients.[30] Thus, knowing the characteristics of MEED clients may indirectly help in assessing the extent to which MEED meets this second goal.

Consequently, in the next section, we examine available data on the characteristics of MEED participants. In the following section, we examine data on the wages, placements, and outcomes for MEED participants. Finally, we examine whether data on client characteristics and outcomes provide an indication of how well the program is working.

(2) Client Characteristics

Data available from the Department of Jobs and Training are not very useful for analyzing the job readiness of MEED participants. The data show the numbers of clients served by priority group, sex, age, and race. In addition, the department collects data on the number of participants who leave the program early and on the employment status of other participants 60 days after they complete the program. However, these data, presented in Tables 3.8 and 3.9, provide little information on measures of work readiness such as the educational level, past work history, and family status of participants.

The Department of Jobs and Training has begun to collect demographic data on MEED participants from service providers. These data have the potential to provide useful management information in the future. However, the data were not available early enough for us to use during our study.

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[30]See Judith M. Guercn, *Work Initiatives for Welfare Recipients*, New York: Manpower Demonstration Research Corporation, March 1986. See also the discussion in our companion study: Office of the Legislative Auditor, *Aid to Families with Dependent Children*, January 1987.

TABLE 3.8

MEED SUMMARY STATISTICS
ORIGINAL PROGRAM

December 31, 1985

Applicant Information			
Total Eligible Applicants	125,055	Household without Income	25,243
Work Readiness	2,098	Other Eligible	35,386
GA Eligible	55,847	Female	45,083
AFDC Eligible	6,134		
Farm Household/Financial Need	347		
Participant Information			
Total Enrolled to Date	30,547	22-44 years old	19,958
Work Readiness	205	45 years and older	3,090
GA Eligible	11,537	Black	1,550
AFDC Eligible	449	Hispanic	361
Farm Household/Financial Need	70	American Indian	1,686
Household without Income	7,838	Asian/Pacific Islanders	577
Other Eligible	10,448	Veterans	4,119
Female	12,919	Required Day Care Aid	757
21 years old or younger	7,499		
Reason for Termination			
Total Leaving Program	27,931	Entered Other Training Program	269
Employed Unsubsidized $5.07[a]	14,948	Other	12,181
Full Time Education	533		
Participants Carried Over to New MEED			
Number Currently Enrolled	2,616	Number in Private Sector	1,986
Number in Public Jobs	369	Number in Other Status	261
60-Day Follow-Up Status for Employed Unsubsidized Participants			
Number Receiving Follow-up	13,110	Number of Other Unsubsidized Employment	5,066
Number Private Sector/State Subsidy	8,044	Employed $5.44[a]	3,898
Employed (MEED Employer) $5.09[a]	6,036	In School	37
In School	42	Unemployed	613
Unemployed	682	Other	518
Other	640		
Employed (New Employer) $5.20[a]	644		

Source: Minnesota Department of Jobs and Training.

[a]Average hourly wage.

TABLE 3.9

MEED PROGRAM STATISTICS
July 1, 1985 through December 31, 1986

I.
PARTICIPANT INFORMATION

NUMBER SERVED TO DATE	7,412		22 through 44	5,072
Work Readiness Eligible	1,601		45 and Over	845
General Assistance Eligible	1,441		Black	612
AFDC Eligible	1,005		Hispanic	390
Farm Household/Fncl Need	294		American Indian	619
Household Without Income	1,685		Asian/Pacific Islander	251
Other Eligible	1,386		Veterans	1,058
Female	3,060		Required Day Care	412
21 Years Old or Younger	1,495			

II.
END OF MONTH ON-BOARD TOTALS

NUMBER ON-BOARD	2,715		Number in Public	543
Number in Private	1,538		Number in Other	634

III.
REASON FOR TERMINATION

TOTAL LEAVING PROGRAM	4,697		Returned Full Time School	97
Unsubsidized Employment	2,824	$5.27[a]	Entered Other Training Programs	69
Administrative Separation	228		Other Reason	1,248
Completed Program Objective	231			

IV.
60-DAY FOLLOW-UP STATUS FOR UNSUBSIDIZED EMPLOYMENT

NUMBER RECEIVING FOLLOW-UP	2,456		Number of Other Unsubsidized Employment		784
Number Private Sector	1,672		1. Employed	$5.06[a]	572
1. Employed (same employer)	1,292	$5.37[a]	2. In School		10
2. Employed (other employer)	134	$6.06[a]	3. Unemployed		133
3. In School	8		4. Other		69
4. Unemployed	169				
5. Other	69				

Source: Minnesota Department of Jobs and Training.

[a]Average hourly wage.

Data on MEED clients were available from two other sources. First, a 1985 study by the Jobs Now Coalition provided some data on MEED participants and applicants.[31] Second, a 1985 report by the State Planning Agency provided data on the education, work history, public assistance dependence, and other characteristics of applicants in the original MEED program and then compared *MEED applicants* to participants in other employment and training programs and various welfare recipient groups.[32] The planning agency study provides a variety of useful information. However, it does not tell us whether *MEED participants* differ in significant ways from the applicant group examined.

Because of the lack of adequate data on MEED participants, we collected additional data from MEED participant files at various locations across the state. Our sample included 227 participants or approximately five percent of the participants served by the current MEED program during the period January through June 1986. The sample was drawn from seven sites (St. Paul, Virginia, Detroit Lakes, Mora, Montevideo, Rochester, and Washington County) which were selected so as to provide some balance among urban, suburban, and rural service providers and clients. These seven providers serve about one-third of the participants in the state.

In some respects, the sample appears representative of the state. Fifty-six percent of the sample participants were eligible for public assistance (AFDC, GA, and Work Readiness) compared to 53 percent of statewide participants for the same time period. Eighty-seven percent of the sample participants were from one of the four MEED priority groups compared to the statewide average of 82 percent. Non-priority participants were only slightly under-represented: they were 13 percent of the sample compared to 18 percent statewide.

However, because of the size and construction of the sample, results from the sample may not be representative of all MEED participants. Sample results may provide useful insights and suggest types of data that should be collected on all participants. But care should be taken in interpreting results from our limited sample.

Available statewide data on the priority status of participants in the current MEED program show that:

- The percentage of participants eligible for public assistance has increased from 35 percent in the first stage of MEED to 54 percent since June 1985.

- The percentage of non-priority participants has decreased from 36 percent through June 1985 to 19 percent since then.

From July 1985 through December 1986, MEED participants include the following priority groups: AFDC eligibles (13 percent), Work Readiness

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[31] *MEED Works, op. cit.*

[32] *MEED: Who is it Serving*, Human Services Division, Minnesota State Planning Agency, July 1985.

eligibles (22 percent), General Assistance eligibles (19 percent), households without other income (23 percent), and farm households in severe financial need (4 percent). Statewide data do not indicate how many of those eligible for public assistance were actually on public assistance. In our sample, those on public assistance outnumbered those eligible but not receiving public assistance by 2 to 1.

Statewide data on the race and sex of MEED participants show that:

- The percentage of minority participants has increased from 14 percent through June 1985 to 25 percent since then. From July 1985 through December 1986, program participants included Blacks (8 percent), Hispanics (5 percent), American Indians (8 percent), and Asians/Pacific Islanders (3 percent).

- The percentage of female participants has not changed much. Through June 1985, 41 percent of participants were female. Since then, the percentage has been about 42 percent.

Statewide data on the age of MEED participants are not broken down in a manner that is particularly useful. These data suggest, however, that participant age has not changed much from the original program. Participants in the current program may be slightly older. The percentage of participants less than 22 years of age is down from 25 percent to 20 percent, while the percentage of participants ages 22 through 44 is up from 65 to 68 percent. Participants over 45 increased slightly from 10 to 11 percent.

Sample data on age appear to be similar to statewide data and show that:

- The median age of MEED participants in our sample is 28 years.

- In our sample, the percentage of participants in their teens is 11 percent, while the percentage in their twenties is 46 percent and the percentage in their thirties is 27 percent.

There were no available statewide data on the family status, educational level, and past work history of those who participated in the current MEED program (July 1985 through December 1986). Sample data, however, may provide some insights into who is being served by the current MEED program. With respect to family status, sample data indicate the following patterns:

- More than half of the participants are non-dependent individuals living alone or with family or friends (55 percent); 22 percent are parents from a two parent family; 13 percent are single parents; and 9 percent live with other family and have no children (such as a married couple without children).

- Significant differences exist between public assistance recipients and others in our sample. Public assistance recipients are much less likely than others to be in the group with no dependents (29 percent versus 65 percent); and much more likely to be single parents (29 percent versus 3 percent).

These data suggest there may be a significant group of MEED participants who are non-dependent individuals and are not on public assistance. Furthermore, many of them may be young. In our sample:

- Thirty-five percent of all participants have no dependents and are not on public assistance. This group has a median age of 25 years.

- Twenty-five percent of all participants have no dependents and are not eligible for public assistance. The median age of this group is 26 years.

Participants included in the sample appear to be at least as educated as the typical person in the Minnesota labor force by one measure:

- Approximately 87 percent of participants have a high school degree or its equivalent compared to the 1980 census figure of 81 percent for the Minnesota labor force as a whole.

Furthermore, there do not appear to be any significant differences among various groups in our sample:

- The percentages with a high school degree are: public assistance recipients (86 percent), public assistance eligibles (85 percent), and those not eligible (89 percent).

- Among groups eligible for public assistance, the percentages with a high school degree are: Work Readiness eligibles (87 percent), General Assistance eligibles (85 percent), and AFDC eligibles (83 percent).

These sample data suggest that public assistance recipients served by MEED may be better educated than the average Minnesotan on welfare. In Minnesota, about 60 percent of General Assistance recipients and 70 to 75 percent of AFDC recipients have a high school degree or its equivalent. In our sample, 86 percent of public assistance recipients participating in MEED had a high school degree.

Forty-three percent of MEED participants in our sample also have some post-secondary education, although this is mostly vocational training (30 percent) and not college (13 percent). There are some differences among participant groups in our sample that are worth noting. First, those not from one of the priority groups are more likely to have some post-secondary education than participants from a priority group (61 percent versus 40 percent). Second, Twin Cities metropolitan area participants who are receiving public assistance are less likely to have some post-secondary education (25 percent) than those not on public assistance (66 percent), while the pattern among participants from greater Minnesota is different (48 percent versus 42 percent).

The sample also provides some interesting data on how long participants were unemployed before receiving a MEED wage subsidy and why they left their last jobs before MEED. The data on length of unemployment show that

approximately equal numbers of participants were unemployed for short, medium, and long periods of time:

- About 37 percent were unemployed less than 90 days, while 33 percent were unemployed for 90 days to one year and 30 percent were unemployed for more than one year.

The sample data also show, as presented in Figure 3.1, that those on public assistance are more likely to have been unemployed for a long time prior to participation in MEED.

Although most participants in our sample report that they were laid off from their last job, a high percentage report that they quit:

- Fifty-five percent were forced to leave their last jobs due to a layoff, 40 percent quit their last job, and five percent report being fired.

The high percentage of quits, along with the data on family status, may indicate that there is a significant group of MEED participants who are relatively new entrants to the labor force and, for the most part, have no dependents. These people, like most younger workers, are mobile between jobs and often quit jobs to improve their status. An alternative explanation is that many of those who report quitting their last job may have actually been fired. They may not wish to reveal the real reason they left if they believe that MEED service providers would then be less likely to find them a job.

(3) Wages and Outcomes

Statewide data collected by the Department of Jobs and Training do not indicate what average wage rate MEED participants initially receive.[33] For participants in our sample:

- The initial average wage rate was $4.50 per hour.
- The wage rate for public assistance eligibles was lower than average.

Table 3.10 presents sample data on average wages. Work Readiness eligibles received the lowest wages ($4.06 per hour), while non-priority participants received the highest average wages ($4.97 per hour). Figure 3.2 shows that, while only 25 percent of priority participants received an initial average hourly wage of $5 or more, 48 percent of non-priority participants did.

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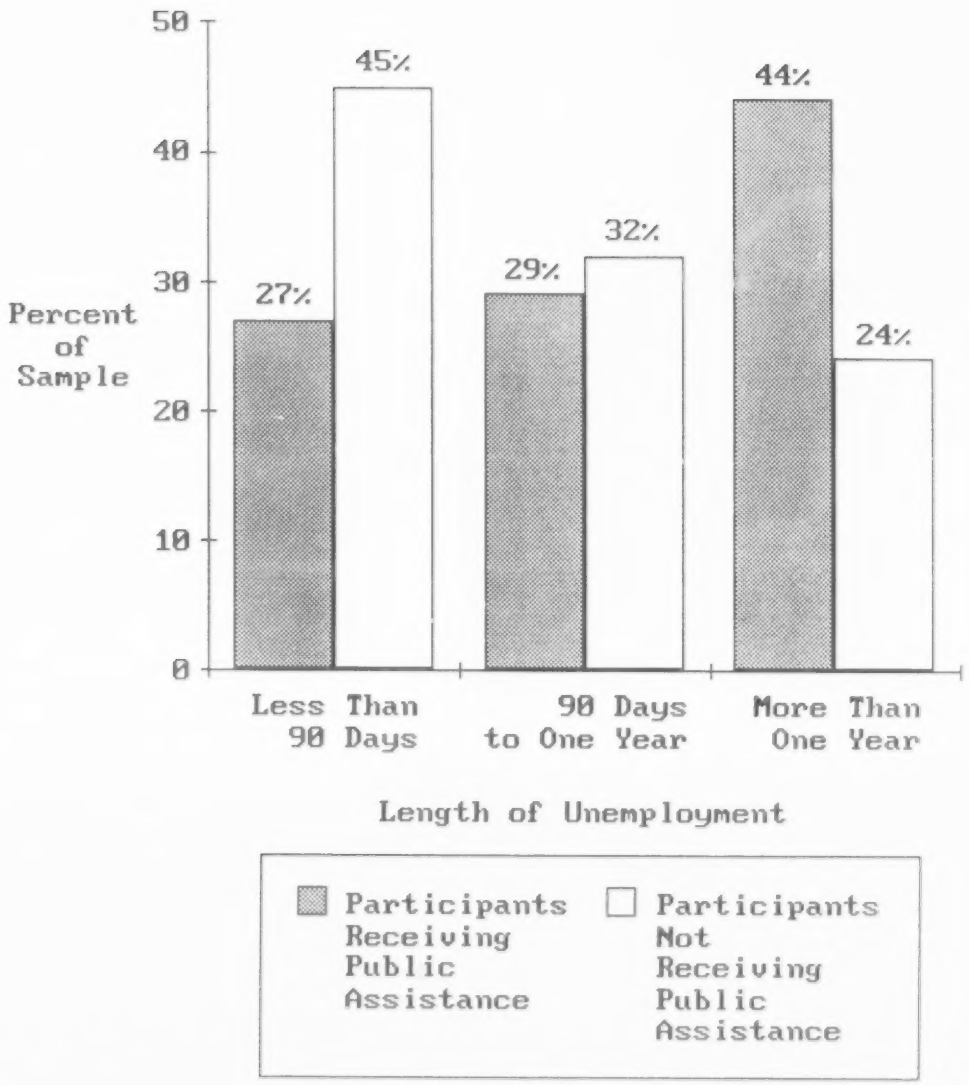
[33] A study of earlier stages of MEED found that private sector MEED workers earned an average of $4.75 per hour during the six-month subsidy period. See *MEED Works*, *op. cit.*, p. 7.

FIGURE 3.1

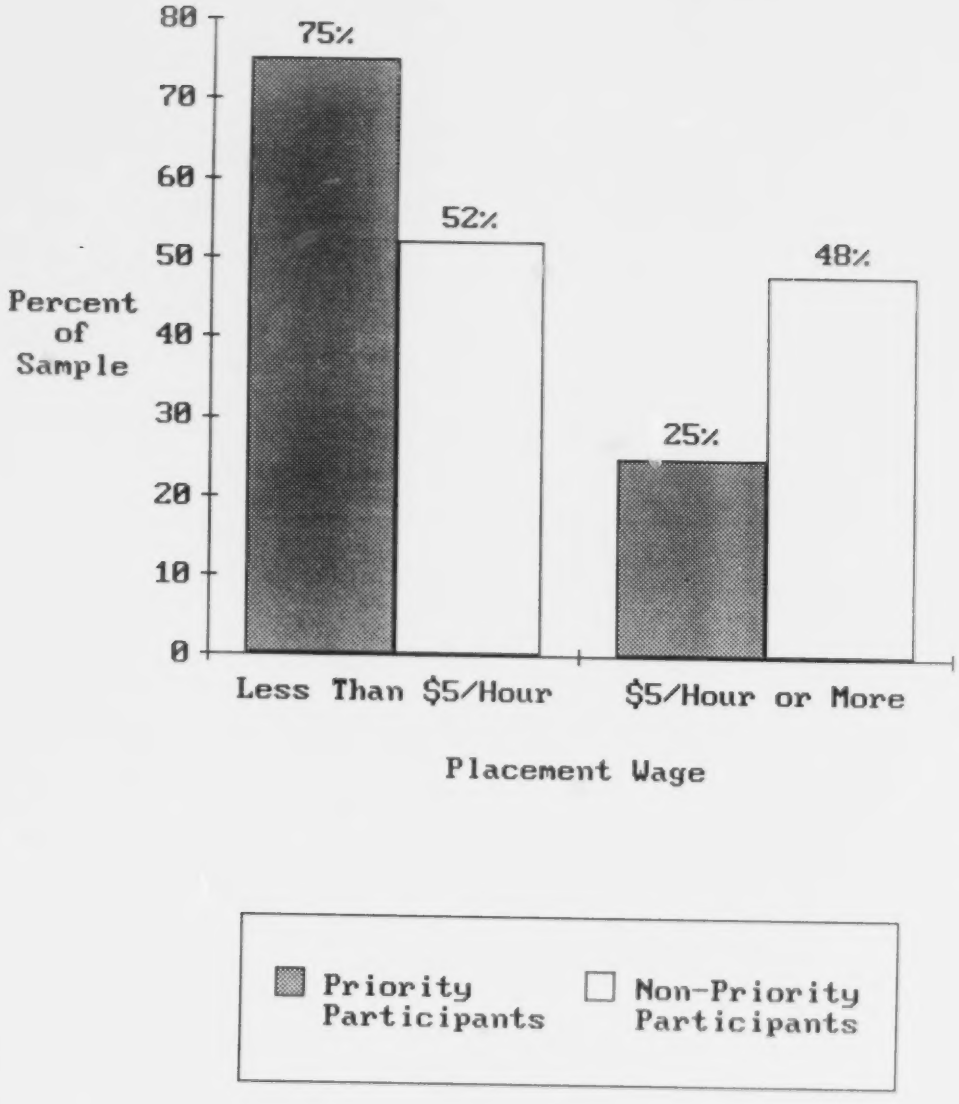
MEED PARTICIPANTS:
LENGTH OF UNEMPLOYMENT BY PUBLIC ASSISTANCE STATUS



Source: Program Evaluation Division sample of MEED client files.

FIGURE 3.2

PLACEMENT WAGES FOR
PRIORITY AND NON-PRIORITY MEED
PARTICIPANTS



Source: Program Evaluation Division sample of MEED client files.

TABLE 3.10

AVERAGE PLACEMENT WAGES BY PARTICIPANT GROUP

	Wage
Work Readiness Eligibles	$4.06
General Assistance Eligibles	4.47
AFDC Eligibles	4.31
Households With No Other Income	4.45
Farm Families With Financial Need	4.68
Non-Priority Participants	4.97

Source: Program Evaluation Division sample of MEED client files, January through June, 1986.

Statewide data seem to indicate that wage rates go up for those participants who continue to be employed after leaving MEED. The average hourly wage for those in unsubsidized jobs when they left MEED was $5.27.

In terms of outcomes, statewide data for the period July 1985 through December 1986 suggest that close to two-thirds of private sector participants are in unsubsidized jobs 60 days after they leave the MEED program. This estimate is made by first calculating the percentage of private sector participants who entered unsubsidized employment when they left MEED and then calculating the percentage of that group who are still in an unsubsidized job with any employer 60 days after leaving MEED.

Table 3.11 provides data relevant to the first calculation. The table shows that 51 percent of private sector participants entered unsubsidized employment when they left MEED; 30 percent are still currently enrolled in MEED; and 19 percent left their MEED job. The latter group includes those who quit, moved, were laid off, had health problems, were fired, returned to school, or entered another training program. It should not include anyone who left a MEED job for an unsubsidized job with a different employer.

Interpreting the data in Table 3.11 requires one to make an assumption about the large group of participants (30 percent) who have not yet completed the program. If one assumes they will all be in unsubsidized jobs when they leave MEED, then 81 percent will be in unsubsidized jobs when leaving MEED. However, it is not clear that this is the best assumption. Alternatively, one might assume that some of those currently enrolled will leave MEED without an unsubsidized job. If the behavior of those currently enrolled is proportional to those who have already left, then one would expect 73 percent of all private sector participants to be in an unsubsidized job upon leaving MEED.

TABLE 3.11

MEED PRIVATE PARTICIPANT STATUS
July 1985 - December 1986[a]

Status	Percent
Entered Unsubsidized Employment	51%
Currently Enrolled	30
Terminated (breakdown not available):	19
Returned to Full-Time School	
Entered Other Training Program	
Administrative Separation	
Other Reasons	
	100%

Source: Department of Jobs and Training.

[a]Data include 5,139 participants.

From follow-up data, we already know the second part of the calculation. Data show that 85 percent of those who leave MEED in an unsubsidized job continue to have an unsubsidized job with the same or another employer 60 days later. When this figure is combined with the first calculation, between 62 and 69 percent of private sector participants, or roughly two-thirds, are in an unsubsidized job 60 days after leaving MEED.

We should expect some turnover in the program. An earlier study indicated that the amount of turnover in MEED was less than the average amount in various labor markets.[34]

Nevertheless, it is important to know how well MEED is working for particular client groups. Unfortunately:

- The Department of Jobs and Training has not tracked the impact of MEED on various client groups.

For example, there are no data on the percentage of public assistance recipients or eligibles participating in private sector MEED who are in unsubsidized jobs after leaving MEED. In addition, the department has not tracked the progress of public assistance eligibles or other priority groups participating in public sector MEED jobs including Community Investment Programs (CIPs). As a result, little is known about how service providers are using public MEED funds and whether public participants are subsequently placed in private MEED or unsubsidized jobs.

[34]*MEED Works, op. cit.*, p. 8.

Sample data suggest that public assistance recipients do not fare as well as other participants. Of those who had left MEED, 48 percent of public assistance recipients were employed in an unsubsidized job compared to 71 percent of other participants. In addition, public assistance recipients in the sample were more likely to quit or be fired than others. Of those leaving MEED, 32 percent of public assistance recipients quit or were fired compared to only 11 percent of other participants.

(4) Summary

MEED has been successful in increasing the participation of people eligible for public assistance and in serving other priority groups. However, because of a lack of good statewide data and control groups, little is known about how well these various client groups fare under MEED.

Although sample data are insufficient to provide answers, they suggest there is a need for better tracking of program outcomes for public assistance eligibles as well as other participants. In addition, they raise the question of whether MEED is an appropriate program to use for reaching potential long-term AFDC recipients. Potential long-term recipients probably require education and other services before an employer would be willing to hire them, even with a wage subsidy.

Furthermore, for AFDC recipients, it seems more appropriate to use the Grant Diversion program rather than the MEED program. Grant Diversion permits the state to leverage federal funds in providing a subsidized job, rather than using only state funds. As we discuss in Chapter 5, Grant Diversion has experienced some initial problems requiring legislative attention. If these problems can be solved, Grant Diversion, instead of MEED, should serve AFDC recipients.

c. Discussion

MEED is a difficult program to evaluate. Assessing MEED's effectiveness in creating jobs is limited by the "state of the art" in research on wage subsidies and other economic development tools. Evaluating MEED's effectiveness in assisting unemployed people and reducing welfare dependency is made difficult by an absence of control group studies and a lack of adequate data on client characteristics and program outcomes.

Because of these limitations, it was not possible for us, in the context of doing a broad study of employment and training programs, to definitively resolve questions about MEED's effectiveness. It is reasonable to suggest that:

- State agencies should improve the collection and analysis of data on the MEED program.

In addition, we have recommended that Grant Diversion be used instead of MEED for AFDC recipients. Initial problems with implementing Grant Diversion will have to be addressed first.

However, more fundamental differences of opinion about MEED cannot be resolved with existing data and research. The issue of whether MEED

should be substantially reduced and refocused as recommended by the Governor or significantly expanded as suggested by program advocates remains a difficult judgment call.

If the program is continued, we suggest that the Legislature consider strengthening MEED's emphasis on job creation and retention. We think that an increased emphasis on job development makes sense for several reasons. First, the primary difference between MEED and other employment and training programs is its potential for increasing overall employment. Other programs generally focus on increasing the employment and earnings of particular clients, but may end up helping program participants at the expense of non-participants. Because they probably do not increase employment, other programs may have the effect of shifting jobs to participants and displacing non-participants who would have otherwise been employed. The advantage of MEED is that, to a certain extent, it is able to increase employment without displacing others from their jobs.

Second, as we discussed above, MEED may not be the best program for serving potential long-term welfare recipients. Those with serious educational or other deficiencies would benefit more if they first had classroom training or other services. It also makes sense to use Grant Diversion for AFDC recipients instead of MEED whenever a subsidized job is the preferred approach.

Finally, greater emphasis on job creation and retention would tend to help reduce dependence on public assistance. To the extent that employment increases in the state, fewer people would need to depend on public assistance. Even if public assistance recipients were not placed in the subsidized jobs, the state could expect welfare costs to be lower than would otherwise be the case, as long as MEED is effectively creating or retaining jobs. On the other hand, if we use MEED to subsidize a job for a public assistance recipient but the subsidy is not effective in creating or retaining a job, we may be helping one recipient leave welfare and indirectly causing someone else to go on welfare.

Consequently, we suggest that:

- The Legislature and executive branch agencies should examine ways to improve MEED's job creation potential.

One option would be to reduce the use of MEED with firms whose primary competition is within Minnesota. This could mean reducing its use with retail businesses, although some allowance could be made for using MEED with retail businesses whose primary competition is from outside Minnesota. Another possibility would be to reduce the use of MEED by firms that do not sell goods and services outside the state.

A less restrictive approach would be to require state agencies to give MEED providers more guidance. The Department of Jobs and Training, with the assistance of the Department of Energy and Economic Development, could provide program operators with advice on how to improve the potential for job creation and retention.

A greater emphasis on job creation and retention does not mean that the program should discontinue serving GA and Work Readiness eligibles. Although MEED's impact on these groups has not been conclusively documented, a wage subsidy can be beneficial in providing needed work experience for these and other client groups. Nevertheless, state agencies need to do a better job of tracking the impact of the program on various client groups.

Finally, there is a need for the Legislature to clarify whether there should be any public MEED jobs other than those provided by CIPs. Currently, there is confusion about whether all public MEED jobs are governed by the restrictions placed on CIPs. Some service providers use CIPs to provide MEED participants with needed job experience while others may simply make a public MEED placement. Some suggest that the legislative intent was to permit no public MEED jobs other than the temporary placements provided by CIPs. However, statutory language is not entirely clear on this point and is being interpreted in different ways.

B. TARGETED JOBS TAX CREDIT

The Targeted Jobs Tax Credit (TJTC) is a federal wage subsidy program that was established in 1978 to encourage businesses to hire disadvantaged people. The program expired on December 31, 1985, but was recently reinstated for three years, retroactive to January 1, 1986.

1. BACKGROUND

The TJTC program uses tax credits to provide an incentive for employers to hire from nine target groups: economically disadvantaged youth, vocational rehabilitation clients, economically disadvantaged Vietnam veterans, Supplemental Security Insurance recipients, economically disadvantaged cooperative education students, economically disadvantaged former convicts, General Assistance recipients, AFDC recipients and WIN registrants, and economically disadvantaged youth employed for the summer.

Employers are allowed to claim a tax credit on part of the wages paid to TJTC program participants. On January 1, 1986, the maximum amount of the tax credit decreased from $4,500 to $2,400. Participating employers may receive a tax credit on 40 percent of the first $6,000 of first-year wages paid to TJTC employees. Previously, employers were allowed a 50 percent tax credit on the first $6,000 of first-year wages and a 25 percent credit on $6,000 of the second-year wages. The credit for hiring disadvantaged summer youth has remained the same: $2,550, or 85 percent of up to $3,000 in wages. Tax credits claimed through this program cannot exceed 90 percent of an employer's tax liability, but employers are allowed to carry the excess credit back three years or forward fifteen years.

TJTC is an entitlement program, meaning that there is no limit on the number of eligible people who can participate. In 1985, 622,000 people

throughout the United States participated in the TJTC program. However, many more people are eligible to participate than have done so. One researcher reports that about seven million people are potentially eligible for the program.[35]

According to federal regulations, local Job Service offices have primary responsibility for determining the eligibility of TJTC candidates and sole responsibility for certifying participating employers for tax purposes. However, each Job Service district director may negotiate agreements with state and local agencies for assistance in marketing and determining eligibility. In Minnesota, the Job Service has retained responsibility for these activities. According to Department of Jobs and Training staff, Job Service does 95 percent of the eligibility determination, while JTPA and vocation rehabilitation subcontractors do the remaining five percent.

Program participation may be initiated in two ways: Job Service may identify an eligible person, or a business may request an eligibility determination for a potential employee. The Department of Jobs and Training estimates that in Minnesota about 80 percent of all certifications result from employer requests, and about 20 percent come from Job Service vouchers. When Job Service identifies an eligible member of a target group while providing other employment services, the person is given a voucher to present to employers when applying for jobs. Employers who hire these people must redeem the voucher and request tax certification from Job Service within five days after the person begins work.

An employer-initiated eligibility determination must be requested on or before the day the person starts work. This requirement was enacted to cut off "windfalls" for employers who requested certification long after they had hired employees. The intent of the tax credit is to provide an incentive to hire targeted groups; retroactive certification provides a benefit to employers for hiring decisions that were made without the subsidy.

Although relatively few businesses use TJTC on a national level, the businesses that do participate often hire more than one person through the program. Dr. John Bishop estimates that although "...less than one percent of all workers are subsidized, the typical subsidized worker is working in an establishment at which 14.6 percent of the firm's employees are subsidized."[36]

Businesses are allowed to submit bulk certification requests to the Job Service, and some large companies hire consulting firms to do the necessary paperwork. Job Service staff sometimes conduct on-site certifications for firms hiring large numbers of employees at one time.

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[35]Sar A. Levitan and Frank Gallo, *The Targeted Jobs Tax Credit: An Uncertain and Unfinished Experiment*, Washington, D.C.: Center for Social Policy Studies, June 1986.

[36]Bishop, *op. cit.*, p. 115.

According to the Department of Jobs and Training, between October 1, 1984, and September 30, 1985, 24,776 Minnesotans were determined eligible for the program, and 13,208 were certified for tax credits. Table 3.12 shows the number of people determined eligible and the number of tax credits authorized for each target group.

The jobs certified under the TJTC program in Minnesota tend to be low paying, and concentrated in the clerical, sales, and service industries. Table 3.13 shows certifications by wage and industry for October 1984 through September 1985. Over 46 percent of the jobs paid less than $4.00 per hour, and about 80 percent paid less than $5.00 per hour. Sixty-four percent of the jobs were in clerical or service occupations.

TABLE 3.12

MINNESOTA TARGETED JOBS TAX CREDIT PARTICIPANTS

October 1984 - September 1985

Target Groups	Eligibility Determinations	Tax Credits Authorized
Youth	10,597	7,241
Vietnam Veterans	1,295	511
Cooperative Education[a]	274	108
Ex-Convicts	--	--
Summer Youth	467	328
Handicapped	3,875	1,767
General Assistance	4,321	1,397
SSI	176	112
WIN	3,762	1,743
Total	24,767	13,207

Source: Department of Jobs and Training.

[a]The department does not record information on this small category administered by educational institutions.

TABLE 3.13

TARGETED JOBS TAX CREDIT--WAGES AND OCCUPATIONS

	Percent of Certifications	Number of Certifications
WAGE CATEGORIES		
Under Federal Minimum Wage	2.6%	338
Minimum Wage - $3.99	43.5	5,749
$4.00 - $4.99	33.3	4,403
$5.00 - $5.99	11.4	1,503
$6.00 and Up	9.2	1,215
Total	100.0%	13,208
OCCUPATIONAL CATEGORIES		
Professional/Technical/Managerial	7.0%	920
Clerical/Sales	26.4	3,493
Service	37.7	4,979
Farm/Forestry/Fishery	3.4	449
Processing	8.0	1,059
Machine Trades	3.2	417
Benchwork	3.9	517
Structural	3.5	461
Miscellaneous	6.9	913
Total	100.0%	13,208

Source: Department of Jobs and Training, October 1984-September 1985.

2. DISCUSSION

Researchers have criticized TJTC for two reasons. First, one study found that TJTC creates few jobs. According to employers who were surveyed, at least 80 percent of the subsidized jobs would have existed without the subsidy.[37]

Second, a study of vouchered wage subsidies in Dayton, Ohio, found that vouchered job applicants were slightly *less* likely to be hired than other similar applicants who did not present tax credit vouchers to potential employers. The results of this study suggest that employers may discriminate against voucher carriers because they view the vouchered

[37]Bishop and Montgomery, *op. cit.*

applicants as less motivated or skilled than those who were not identified as disadvantaged by their vouchers.[38]

Nevertheless, even some critics of TJTC suggest that there are ways to improve its operation:

- Marketing of the program should be increased and targeted to firms that might be willing to hire large numbers of TJTC eligibles.

- Additional local agencies such as JTPA providers should be given authority to certify eligibility.

- However, local agencies should focus their efforts on marketing the program to firms and sending TJTC eligibles to those firms that are willing to consider them. Local agencies should not expend resources on certifying TJTC eligibles unless referrals to willing businesses have been arranged.

- Eligibles such as welfare recipients should not present their tax credit vouchers to employers unless asked.[39]

These recommendations are designed to minimize the stigmatizing effect on employment that TJTC may have. In addition, they are designed to expand the program to employers who are unaware of its availability or unsure of the suitability of TJTC eligibles for work. Since participation in the program has been found to be "...quite responsive to personal contact by job developers and other local administrators of the program...", greater marketing to the most likely users of the program is also recommended.[40] Greater participation of agencies other than the Job Service in certifying eligibles and marketing the program is suggested because the Job Service has traditionally taken a less aggressive approach to the TJTC, and other local agencies have experience in developing job openings through personal contacts.

Currently, Minnesota is not aggressively marketing the TJTC program. Because TJTC is federally funded and there is no limit on a state's use of the program, it makes sense for Minnesota to maximize its use of TJTC. The only cost to the state is the cost of administering and marketing the program.

- Consequently, we recommend that TJTC be used, whenever possible, in lieu of state-funded programs. In addition, we urge the Department of Jobs and Training to implement the recommendations outlined above.

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[38]Gary Burtless, *Are Targeted Wage Subsidies Harmful: Evidence from a Wage Voucher Experiment*, Washington, D.C.: Brookings Institution, 1986.

[39]Bishop, *op. cit.*, p. 121.

[40]Bishop, *op.cit.*, p. 111.

Job Service

Chapter 4

Federal law requires each state to operate a labor exchange that matches job seekers with potential employers. The Minnesota Job Service fulfills this basic mission and performs a number of other tasks.

This chapter examines how the Job Service has carried out its primary mission of serving as a labor exchange. First, we briefly outline its funding, organization, and responsibilities. Second, we describe the clients served by the Job Service and the services and placements they receive. Third, we discuss the effectiveness of the Job Service in Minnesota and nationwide. Next, we review the recent decision of the Minnesota Job Service to expand the list of job openings by developing computerized resources and by placing greater emphasis on meeting the needs of employers. Finally, we discuss issues of coordination between the Job Service and other state and federal programs.

A. BACKGROUND

The Job Service (formerly known as the Employment Service) has a longer history than any other federal or state program examined in this report. Since the Wagner-Peyser Act of 1933 established the United States Employment Service under the jurisdiction of the federal Department of Labor, the program's goals have shifted with the resources available and the current opinion on what is needed and what works.

Under the Wagner-Peyser Act, states must provide free labor exchange assistance to workers and employers without regard for geographic boundaries. Handicapped persons, veterans, and migrant workers receive special services. The Job Service is financed by a portion of the federal unemployment insurance tax imposed on businesses under the Federal Unemployment Tax Act.

Two-thirds of the federal allocation to a state is based on the state's share of the U.S. civilian work force and one-third on the state's share

of the number of unemployed people nationwide.[1] States must use 90 percent of the federal allocation to provide services in three areas:

- Job search and placement services for clients, including counseling, testing, assessment, and referrals;
- Recruitment and technical services for employers; and
- Services to dislocated workers and unemployment compensation clients, management and support services, and links to other existing programs.[2]

The remaining 10 percent of a state's allocation can be used at the state's discretion to finance performance incentives for local offices, services for groups with special needs, or pilot projects.

States also receive supplementary federal grants for special programs such as alien labor certification, services for veterans, the federal Work Incentive (WIN) program for AFDC recipients, Trade Adjustment Assistance, and Targeted Jobs Tax Credit. Funds for these programs are granted to states pending annual Congressional renewal. In addition, under the Wagner-Peyser Act, states may enter into fee-for-service contracts to provide services for other state and federal programs, if those services are related to the labor market mission.

In order to receive the basic federal allocation, states must have a cost accounting system and must prepare service plans that include joint planning with JTPA service delivery areas. States have discretion in determining office locations and reporting systems.

Minnesota currently has 56 Job Service offices across the state. A total of 33 offer both Job Service and Unemployment Insurance programs, and the other 23 offer either Job Service alone or Job Service with WIN. These local offices fall into six Job Service districts, each headed by a district manager. Figure 4.1 shows Job Service offices and district boundaries.

Table 4.1 provides staff totals for the central office and field offices. In addition, many smaller communities have small Job Service satellite offices serving specific local needs or client groups, such as county human service clients, high school students, vocational education students, dislocated workers, seasonal workers, firms doing mass hiring, high-growth communities, and depressed regions.

The estimated program year 1985-86 Job Service budget for Minnesota was $25.3 million. Table 4.2 shows that half of this budget, approximately $12.4 million, was reserved for basic labor exchange services. According

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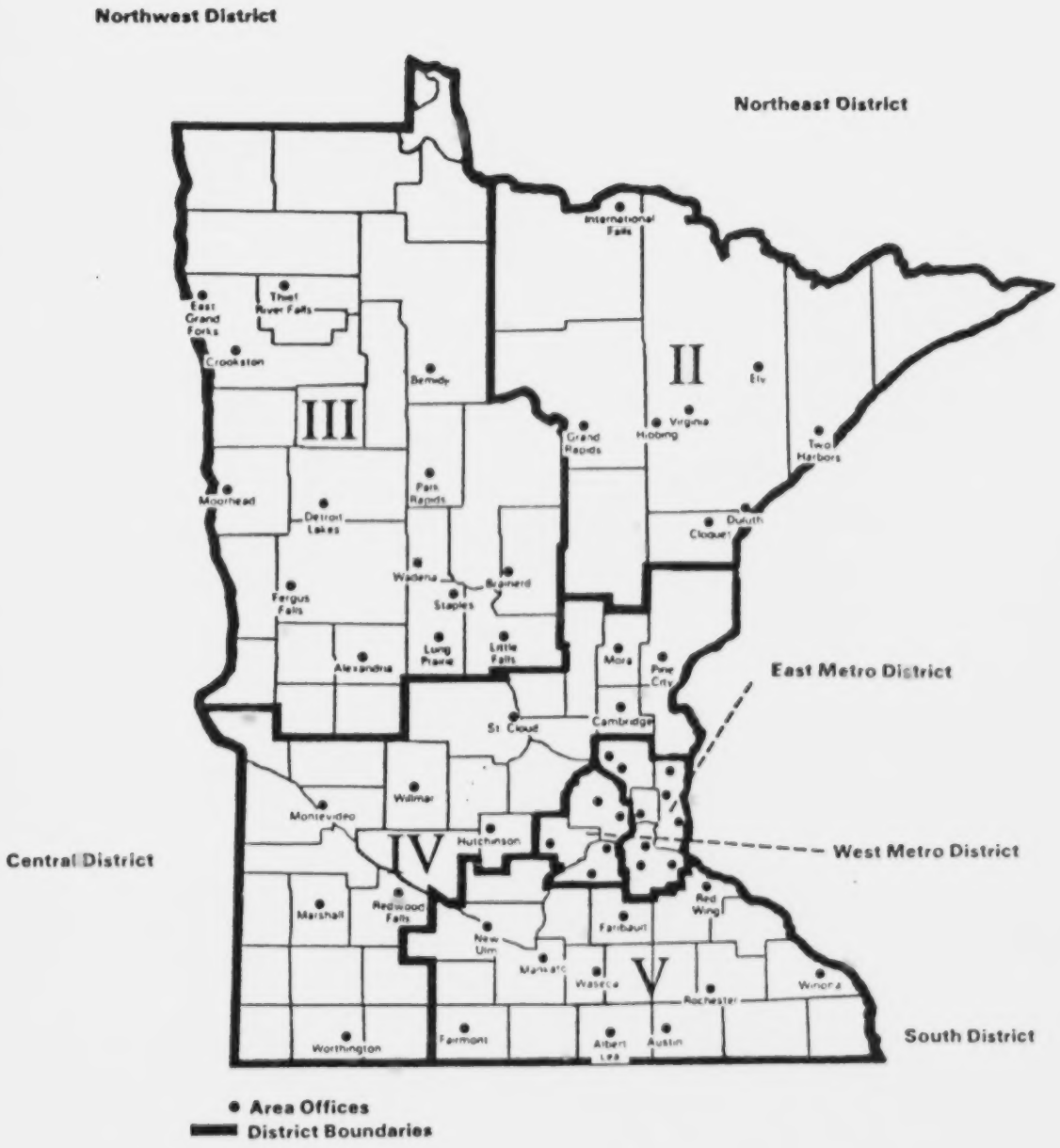
[1]Until 1983, federal allocations to states were based on performance in filling positions.

[2]*Federal Job Service Regulations*.

FIGURE 4.1

MINNESOTA'S JOB SERVICE DISTRICTS AND OFFICES



Source: Minnesota Department of Jobs and Training.

TABLE 4.1

DIRECT MINNESOTA JOB SERVICE STAFF--BY FUND SOURCE
Estimated 1985-1986

	Central Office[a]	Field Offices[b]
FEDERAL		
Basic Employment Services[c]	27.8	261.3
Supplementary Grants[d]		
WIN	2.1	80.0
Veterans Employment	0.5	67.8
Targeted Jobs Tax Credit[e]	0.2	14.2
Alien Labor Certification	1.0	2.8
STATE SUBCONTRACTS		
Food Stamp Registration	0.6	15.0
INCOME CONTRACTS[f]	0.0	40.0
TOTAL	32.2	481.1

Source: Job Service, Department of Jobs and Training.

[a]Includes only staff with primary Job Service responsibilities; does not include 52 positions allocated to other units of the Department of Jobs and Training under "other state office, direct" (27); and "other state office, indirect" (25).

[b]Field office staffing includes unemployment insurance positions which are used interchangeably with basic employment services.

[c]For Program Year 1986 (July 1, 1986-June 30, 1987).

[d]For Fiscal Year 1986 (October 1, 1985-September 30, 1986).

[e]Represents staff financed through quarterly payment for October-December 1985. Federal funding for Targeted Jobs Tax Credit staff positions ceased on December 31, 1985.

[f]Includes staff for contracts in effect on June 30, 1986 and beyond; does not include piece-rate or fixed-unit price contracts.

TABLE 4.2

MINNESOTA JOB SERVICE FINANCING

Estimated 1985-1986

FEDERAL	
Basic Employment Services[a]	
New Obligational Authority	$12,030,699
Carryover	324,594
SUBTOTAL	$12,355,293
Supplementary Grants[b]	
WIN	
New Obligational Authority	$ 2,850,199
Carryover	621,298
Veterans Employment	2,415,873
Targeted Jobs Tax Credit[c]	146,141
Alien Labor Certification	130,039
SUBTOTAL	$ 6,163,550
STATE SUBCONTRACTS	
WIN	$ 280,000
Food Stamp Registration	638,823
SUBTOTAL	$ 918,823
INCOME CONTRACTS[d]	$ 5,851,975
TOTAL	$25,289,641

Source: Job Service, Department of Jobs and Training, September 1986.

[a]For Program Year 1986 (July 1, 1986-June 30, 1987).

[b]For Fiscal Year 1986 (October 1, 1985-September 30, 1986).

[c]Quarterly payment for October-December 1985; program funds expired December 31, 1985.

[d]Includes contracts in effect on June 30, 1986 and beyond; does not include piece-rate or fixed-unit-price contracts.

to Job Service staff, the state has suffered substantial reductions in the basic budget for employment services in recent years. This was due in part to the 1983 switch from allocations based on performance to allocations based on population, and in part to federal budget reductions, including cuts under the Gramm-Rudman Act.

The other half of the Job Service's budget consists of: (1) supplemental federal grants for serving specific clients, (2) various fee-for-service contracts, and (3) state subcontracts for the federal Food Stamp Work Registration program and the state share of WIN funds. Supplemental federal grants to the state for other programs and special services include WIN, Veterans Services, Targeted Jobs Tax Credit, Trade Adjustment Assistance, and Alien Labor Certification. Those grants totalled about $6.2 million for 1986.

Fee-for-service contracts accounted for an estimated $5.9 million during 1985-86. Pursuant to these contracts, Job Service staff supplement assessment, search, and placement services by providing such services as customized on-the-job training, formal training, job-seeking workshops, and other support services. The fee-for-service contracts include $2.6 million in JTPA Title II contracts to serve youth and adults, $1.7 million in Title III JTPA grants to serve dislocated workers and farmers, and $1.4 million in contracts to provide MEED wage subsidies in 15 counties.

The state subcontracts include $0.6 million in federal funds for the operation of the Food Stamp Work Registration program and about $0.3 million in state funds to finance the state's share of WIN operations. These funds are considered state subcontracts because the Job Service receives these funds from the Minnesota Department of Human Services.

B. CLIENTS AND SERVICES

Job Service offices serve employers and workers by soliciting, listing, and filling job openings with qualified applicants. The Job Service generally has far more applicants looking for work than it has job orders from employers. However, some of these applicants are required by other programs to register with the Job Service. Some mandatory registrants may not be seriously seeking employment.

During the 1985-86 program year, the number of active applicants (394,232) outnumbered the number of job orders (131,757) by approximately 3 to 1. Tables 4.3 and 4.4 show that the Job Service was able to fill 94,233 job orders (or 71.5 percent) at an average hourly wage of $4.25.

The number of people placed (68,400) was lower than the number of orders filled because some applicants received more than one job placement. Although this fill rate is high in comparison to other states, Figure 4.2 illustrates that the proportion of applicants receiving placement was low (17 percent).

TABLE 4.3

MINNESOTA JOB SERVICE--JOB OPENINGS
July 1, 1985-June 30, 1986

	Received	Filled
TOTAL	131,757	94,233[a]
Agricultural	22,415	21,306
Non-Agricultural	109,342	72,927
Duration		
3 days or less	17,938	16,961
4-150 days	24,517	20,358
150 days and over	66,887	35,608

Source: Employment Service Automated Reporting System, Table A22.3, Job Service, Department of Jobs and Training.

[a]An unexplained discrepancy exists between job orders filled (94,233) and total job placements (94,435), which are shown on Table 4.8.

In this section, we examine data on the characteristics of applicants placed by Job Service and the types of jobs filled. We then offer several observations about the job markets that the Job Service has been predominantly serving.

1. WHO ARE THE CLIENTS?

As shown in Table 4.5, more than half of clients placed by the Job Service in 1985-86 were under 22 years of age. Slightly more than a third of clients were between 22 and 39 years of age. About one-sixth of the clients were over 40.

Table 4.5 also shows that just over 38 percent of the people placed by the Job Service did not complete high school, while 38 percent did finish high school. The remaining 24 percent reported some post-high school education. According to the table, almost 60 percent of the clients placed were men, and over 90 percent were white. About 10 percent of the 68,400 clients placed in jobs were economically disadvantaged, and 7 percent were welfare recipients.

2. WHAT SERVICES DO CLIENTS RECEIVE?

Applicants seeking employment receive job search assistance, counseling, job placement, and aid in finding jobs for which to apply. At the heart

TABLE 4.4

MINNESOTA JOB SERVICE--JOB OPENINGS FILLED
July 1, 1985-June 30, 1986

Job Type	Number	Average Hourly Wage
Professional, Technical, Managerial	2,193	$6.07
Clerical	11,763	4.61
Sales	4,661	3.87
Domestic	5,720	3.72
Other Services	13,223	3.88
Farm, Fishing, Forestry	23,864	3.71
Processing	3,951	4.42
Machine Trades	2,426	5.28
Bench Work	3,601	4.25
Structural	6,035	5.13
Motor Freight, Transportation	1,906	5.24
Packaging, Material Handler	14,009	4.50
Other	881	4.84
TOTAL	94,233	$4.25[a]

Source: Employment Service Automated Reporting System, Table B07, Job Service, Department of Jobs and Training.

[a]An small unexplained discrepancy exists in the source data between average hourly wage for job orders filled ($4.25) and for job placements ($4.26) shown in Table 4.7.

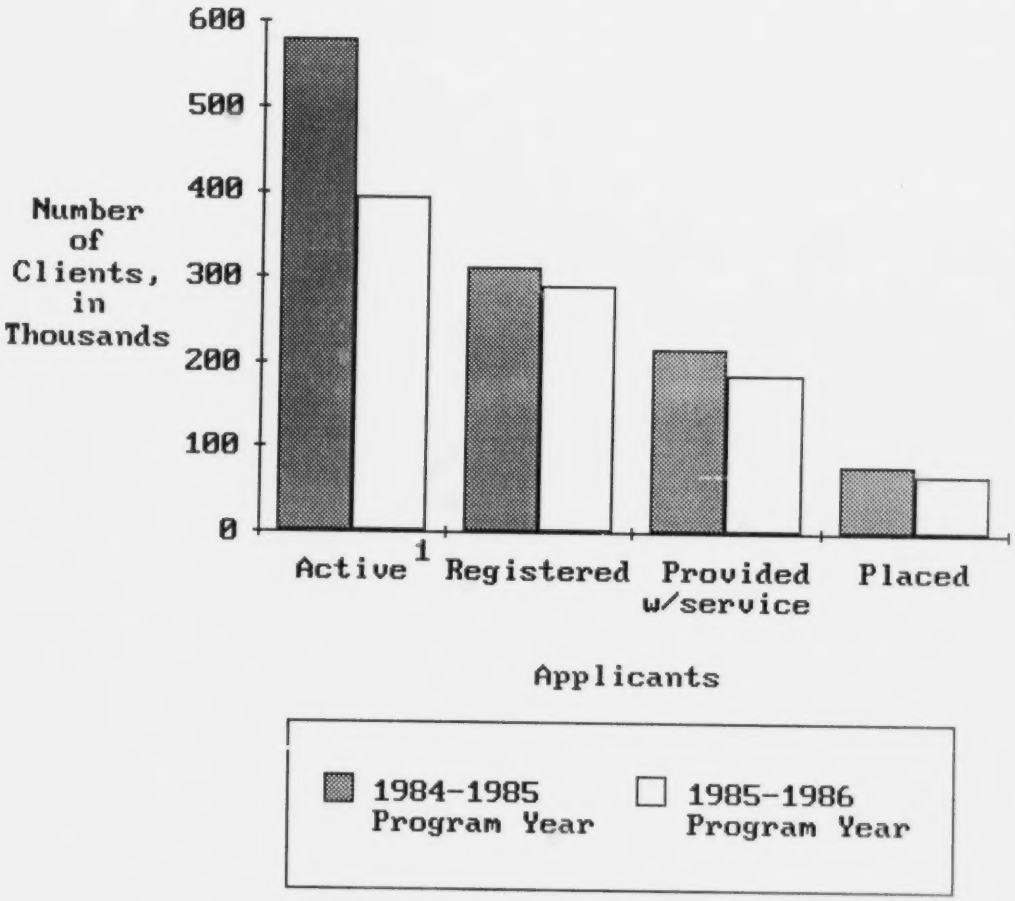
of the continuing debate about the mission of the Job Service is the question of how much counseling and client skill upgrading should be provided. Staff cuts in recent years have lowered the number of counselors in the system and thus reduced the Job Service's capability to provide these additional services.

The Job Service in Minnesota has been developing new computerized services for clients, aimed at making a quicker and smoother connection between job seeker and employer. Computerized job listings are available, and a computerized resume system will soon allow an employer to quickly review a bank of resumes for highly skilled applicants from Minnesota and several neighboring states. A pilot *Test Match* system, which measures clients' aptitudes in order to better evaluate applicants, has also been initiated.

In order to compensate for decreased budgets, the Job Service is processing some applicants in groups. When combined with new computerized job

FIGURE 4.2

CLIENTS SERVED BY THE JOB SERVICE



Source: Employment Service Automated Reporting System, Table A22.1, Job Service, Department of Jobs and Training.

[1] The decrease in active applicants from 1984-1985 to 1985-1986 may not be as large as depicted here. The department believes that the 1984-1985 figure was inflated due to errors in the management information system.

TABLE 4.5

MINNESOTA JOB SERVICE--CHARACTERISTICS OF INDIVIDUALS PLACED
July 1, 1985 through June 30, 1986

	Number of Individuals Placed	Percent of Individuals Placed
TOTAL	68,400	
SEX		
Male	40,222	58.8%
Female	28,177	41.2
No Information	1	0.0
Total	68,400	100.0%
AGE		
15 and Under	9,353	13.7%
16-19	18,842	27.5
20-21	7,862	11.5
22-39	25,207	36.9
40-54	5,124	7.5
55 and Over	1,993	2.9
No Information	19	0.0
Total	68,400	100.0%
HIGHEST GRADE		
0-7	4,813	7.0%
8-11	21,539	31.5
12	25,875	37.8
Over 12	16,172	23.6
No Information	1	0.0
Total	68,400	99.9%
RACE		
White	62,206	90.9
Black	2,116	3.1
Hispanic	1,845	2.7
American Indian/Alaskan	827	1.2
Asian and Pacific	1,221	1.8
No Information	185	0.3
Total	68,400	100.0%
VETERANS	7,125	
HANDICAPPED	2,599	
ELIGIBLE UI CLAIMANTS	6,115	

Source: Employment Service Automated Reporting System, Table 03, Job Service, Department of Jobs and Training.

listings, group intake cuts back on the staff time neccesary to process initial applications. Critics charge that group intake removes the personal counseling components of applicant service. But many offices use group intake as a preliminary step, and some clients may eventually receive individual assistance.

Table 4.6 shows the number of clients who were tested, placed, referred to support services, or referred from Job Service to other programs such as JTPA or MEED. The table summarizes the services an applicant to the Job Service can expect to receive within and outside the Job Service. Also shown is the number of transactions recorded. The main services offered are job referral and job placement assistance. Smaller numbers of clients were tested, received support services, or entered other programs.

3. WHERE ARE CLIENTS PLACED?

The type of placement available through the Job Service depends on the type of employers who list jobs with the service. Many of the jobs currently available are relatively low-paying jobs, many are part-time, and some are only temporary.

According to Table 4.7, the average wage at placement in 1985-86 was $4.26 per hour. On average, men had a slightly higher hourly wage than women, and clients over 21 years old fared better than younger clients. The table also shows that people with high school degrees received significantly higher wages at placement than those without degrees.

According to Job Service staff, employers across the state have substantially increased their use of part-time workers and decreased the number of full-time positions available. Forty percent of the placements in program year 1985-86 were in part-time jobs. Many jobs were also of short duration: jobs lasting three days or less constituted 29 percent of all placements in 1985-86. Figures 4.3 and 4.4 present the data on full-time and part-time placement. Table 4.8 presents data on the duration of the jobs.

C. EFFECTIVENESS IN THE PAST

The effectiveness of the Job Service in Minnesota and elsewhere has been limited in the past. The Job Service has filled no more than 10 percent of available jobs in Minnesota, and the jobs are disproportionately in high-turnover and low-wage occupations. Part-time jobs and temporary jobs are also a significant fraction of job placements.[3]

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[3]See also Simon Fass *et al.*, *A Review of Employment Trends, Poverty Characteristics, and Employment and Training Program Performance in Minnesota*, prepared for the Governor's Task Force on Poverty and Jobs, October 1984, pp. 92-103.

TABLE 4.6

MINNESOTA JOB SERVICE--TYPES OF SERVICES PROVIDED
July 1, 1985-June 30, 1986

	Number of Transactions	Number of Individuals
TOTAL	521,912	185,101
Job Referrals		
Non-Agricultural	280,440	130,672
Agricultural	27,938	18,260
TOTAL	308,378	143,484[a]
Job Placements		
Non-Agricultural	73,124	56,564
Agricultural	21,311	14,089
TOTAL	94,435	68,400[a]
Testing	24,625	18,808
Referred to Supportive Services	--	25,622
Referred to Training	--	3,095
Training Enrollments		
JTPA	115	112
Job Corps	3	3
WIN	181	177
Other	802	708
TOTAL	1,101	970[a]
Subsidized Placements		
JTPA/O-J-T	609	597
JTPA/Work Experience	2,533	2,482
WIN/O-J-T	36	36
Other Youth	526	518
Other Subsidized	1,157	1,135
TOTAL	4,861	4,719[a]

Source: Employment Service Automated Reporting System, Tables A22.1 and 11, Job Service, Department of Jobs and Training.

[a]Totals reflect the number of individuals receiving a particular service. Since some people receive more than one type of service, the sum of these subtotals exceeds the total number (185,101) of individuals served.

TABLE 4.7

MINNESOTA JOB SERVICE--AVERAGE WAGE RATE AT PLACEMENT

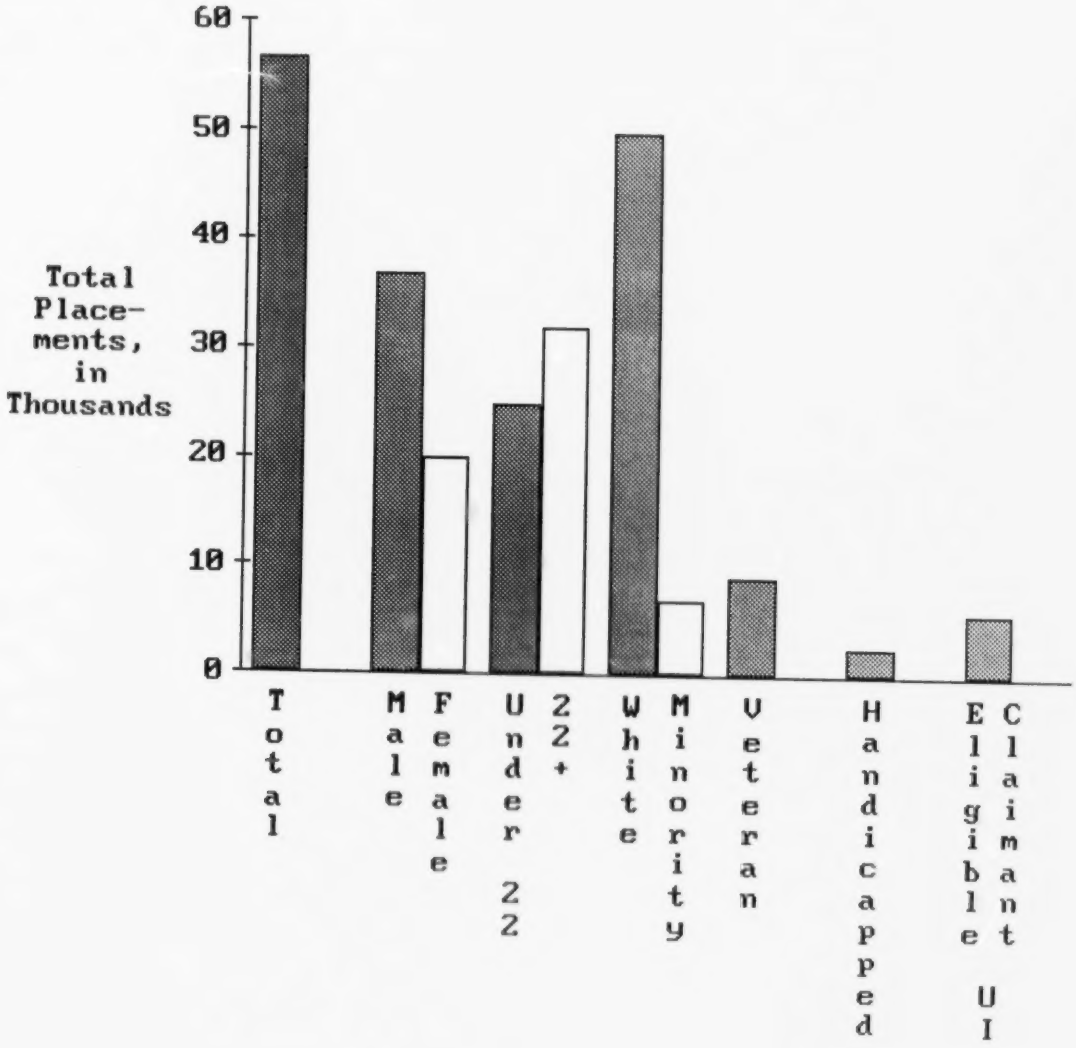
July 1, 1985 through June 30, 1986

	Wage Rate
AVERAGE OF ALL	$4.26
SEX	
Male	4.41
Female	3.98
AGE	
15 and under	3.50
16-19	3.78
20-21	4.26
22-39	4.80
40-54	4.84
55 and over	4.46
HIGHEST GRADE	
0-7	3.61
8-11	3.78
12	4.52
Over 12	4.79
RACE	
White	4.25
Black	4.46
Hispanic	4.37
American Indian/Alaskan	4.35
Asian and Pacific	3.97
VETERANS	5.11
HANDICAPPED	4.46
ELIGIBLE UI CLAIMANTS	5.11

Source: Employment Service Automated Reporting System, Table 15, Job Service, Department of Jobs and Training.

FIGURE 4.3

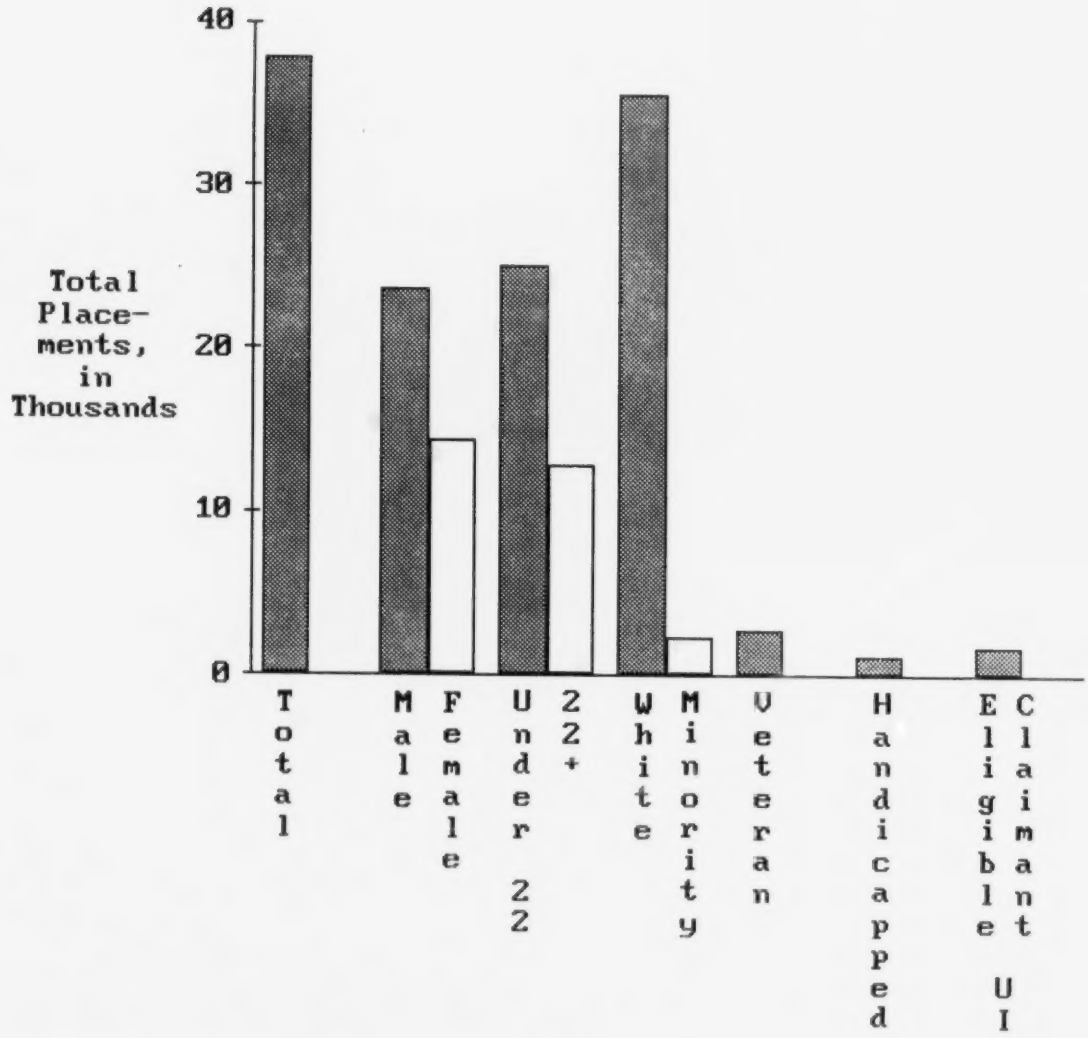
FULL-TIME JOB SERVICE PLACEMENTS:
JULY 1, 1985 TO JUNE 30, 1986



Source: Employment Service Automated Reporting System, Table A22.3, Job Service, Department of Jobs and Training.

FIGURE 4.4

PART-TIME JOB SERVICE PLACEMENTS:
JULY 1, 1985 TO JUNE 30, 1986



Source: Employment Service Automated Reporting System, Table A22.3, Job Service, Department of Jobs and Training.

TABLE 4.8

MINNESOTA JOB SERVICE--JOB DURATION
July 1, 1985 through June 30, 1986

	Placements 3 Days or Under	Placements Over 3 Days	Total
TOTAL PLACEMENTS	27,346	67,089	94,435
SEX			
Male	21,491	38,807	60,298
Female	5,853	28,282	34,137
AGE			
Under 22	16,450	33,364	49,814
22 +	10,896	33,725	44,621
RACE			
White	24,906	60,391	85,297
Minority	2,440	6,698	9,138
VETERANS	4,203	7,590	11,793
HANDICAPPED	2,612	1,156	3,768
ELIGIBLE UI CLAIMANTS	1,367	6,115	7,482

Source: Employment Service Automated Reporting System, Table A22.3, Job Service, Department of Jobs and Training.

However, there has been very little research nationally that has attempted to measure the effect that the Job Service has on the future earnings and employment of its clients. One exception is a national study carried out by Stanford Research International for the United States Department of Labor in 1983. This study provides data on the extent to which various client groups are helped by Job Service placements.[4] The study concludes that nationally the Job Service makes little or no difference in earnings and employment for men, but offers significant improvement for women. Women were placed sooner than men, earned more over the first six months of working, and worked more hours. The study indicates that men were placed in jobs they would have found without Job Service intervention, and these jobs did not represent a significant improvement over their past employment status.

[4]Stanford Research International, *A National Evaluation of the Impact of the U.S. Employment Service, Final Report*, Menlo Park, California, June 1983.

These effects are partly explained by the nature of the labor markets served by the Job Service. The study suggests that women benefit because more of them work in the high-turnover, low-paying jobs upon which the Job Service has traditionally concentrated. Furthermore, women do not have as many job market contacts as men because they are newer to the labor force. They also may not be able to spend as much time searching for work because they are caring for their children. As a result, a referral from the Job Service is much more important to them.[5]

The results of this study point to the need for the Job Service to reassess its mission nationwide. One alternative would be to focus on those labor markets and clients for which a Job Service referral seems to make a difference. Such an option would have to be judiciously implemented. The Job Service has an obligation not to discriminate against any group of clients. It could provide additional services to more disadvantaged clients such as women and minorities but could not exclude others from applying for the job openings it lists.

A second alternative would be for the Job Service to attempt to expand the number and variety of job openings it receives. Men may not benefit much from existing Job Service activity because the Job Service does not list many job openings in higher-paying, low-turnover occupations. The Job Service in Minnesota and some other states has chosen, for a variety of reasons, to try to expand the number of job openings listed with it by employers. In the next section, we examine the rationale for this decision.

D. CHANGES IN THE MINNESOTA JOB SERVICE

On the national level, the Job Service has evolved through several phases since its establishment in 1933. One of the most significant was the *human resource development* phase, which began in the late 1960s and continued through the 1970s. During that period, the Job Service emphasized services for welfare recipients and other disadvantaged or hard-to-serve people.

Recently, in Minnesota and other states, the focus has shifted to better serving the needs of employers. The rationale for the change is that the Job Service can best serve both workers and employers by focusing on the needs of employers. An employer is not likely to use the Job Service again if it does not send job applicants who are qualified. By sending unqualified applicants, the Job Service reduces the number of employers listing job openings with the Job Service. This in turn reduces the ability of the Job Service to serve applicants. By focusing on the needs of employers and sending them only qualified applicants, the Job Service can maximize employer interest in its labor exchange services and serve more applicants.

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[5] *Ibid.*

This rationale has been substantiated from a number of sources. One is a nationwide study of the Job Service, which was conducted in 1985 by researchers at the University of Minnesota-Duluth. The study surveyed employers and found that:

> ...the limited success of the Job Service in increasing the number and quality of positions listed is due in large part to a failure to inspire the confidence of employers.[6]

In addition, interviews with Job Service field staff indicate that Minnesota employers who have been sent job applicants who are not job-ready tend to quit using the Job Service.[7]

As a result, the Minnesota Job Service has begun to implement changes to attract more employer interest and to improve its own efficiency in matching applicants to employer needs. In particular, the Job Service is implementing the following:

- an advertising campaign to encourage more employers to use its services;
- computerization of job openings and applicant resumes;
- participation in a multi-state job bank;
- greater contact with local businesses by local Job Service offices; and
- a greater staff presence at Minnesota's area vocational technical institutes.

Department of Jobs and Training management hopes that these changes will increase the number and quality of jobs listed with Job Service. Management also hopes that the computerization of job openings and resumes will enable it to lower the average stay on unemployment insurance and thus lower overall unemployment insurance costs. This would happen if the Job Service could more quickly place unemployment insurance recipients in jobs comparable to those they lost.

It is too early to tell how successful the Job Service will be in attracting greater employer interest. Changing employer attitudes about the Job Service may take time.

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[6]Dennis Strouble and Stephen Rubenfeld, *The Uneasy Alliance Between Employers and the Job Service*, School of Business and Economics, University of Minnesota-Duluth, 1985.

[7]Additional support for the changes being made in the Minnesota Job Service can be found in: Pat Choate and J. K. Linger, "Building a High-Flex Work Force," *State Legislatures*, National Conference of State Legislatures, January 1987, pp. 24-25.

E. COORDINATION WITH OTHER PROGRAMS

The jobs legislation passed by the 1985 Legislature called for greater co-location of programs such as JTPA, MEED, and the Job Service with county human service agencies. To date, however, only limited co-location has occurred. Job Service offices, in particular, operate independently of other employment and training programs in most parts of the state. Until and unless greater co-location is achieved, there is a need for improved cooperation between the Job Service and other programs.

Cooperation is needed in at least two areas. First, the Job Service needs to refer clients who are not job-ready to other programs. In light of the recent changes in how the Job Service views its role, it is particularly important that clients it cannot serve be directed to agencies that can meet their needs through training and other services.

Second, it is equally important that these other agencies refer job-ready clients to the Job Service when possible. We have observed that, to some extent, programs such as JTPA are providing services to job-ready clients. It makes little sense for JTPA to provide a significant amount of such services to job-ready applicants if the Job Service is able to serve these clients.

Currently, the federal government requires the Job Service to submit an annual plan to the Governor's Job Training Council for review and approval. This plan must include a statement outlining cooperative measures to be undertaken with JTPA providers. According to Department of Jobs and Training officials, sections of the current plan call for limited cooperation.

In 1987, the Job Service and JTPA will submit a joint plan to the federal government. Department management indicates that this joint planning effort will gradually increase the level of cooperation and slowly bring together the two systems.

What is needed now is a clearer understanding of which clients should be served by JTPA and other employment and training programs, and which clients can be referred to the Job Service. In the long run, the Job Service should be able to serve most of those who are job-ready, and other programs can concentrate on providing more extensive services to applicants who are not job-ready. In the meantime, some care may need to be exercised to ensure that the Job Service is able to serve those job-ready clients who would be referred to it.

Employment Programs for Public Assistance Recipients

Chapter 5

In the last three decades, several state and federal programs have been created to increase the employment of people on public assistance, thereby reducing the costs of welfare. Such programs generally fall into two categories: those offering job search assistance, and those offering a broader array of training services.

The premise behind job search programs is that the economically disadvantaged face barriers to finding a job. They often have poor sources of information about jobs and poor job search techniques. Job search programs overcome these problems by teaching people how to write resumes and conduct their own job searches, or by operating group job searches, also known as job clubs.

The second approach to programs for public assistance recipients addresses more fundamental problems that make some of them unattractive to employers: poor job skills or work habits. To overcome these barriers, training programs offer a broader array of services, such as classroom training, on-the-job training, wage subsidies, and work experience.

Minnesota has four employment programs for Aid to Families with Dependent Children (AFDC) recipients and one program directed at General Assistance (GA) recipients judged to be employable. Most of these programs are delivered at the county level. However, each county offers a different array of employment programs for its public assistance population, and no county offers all of the programs. Table 5.1 identifies which programs are available in each county of the state.

This chapter presents our analysis of employment programs for public assistance recipients. We asked the following questions:

- How are employment programs for public assistance recipients organized and delivered in Minnesota?
- To what extent do recipients participate in these programs?
- What kinds of services do public assistance recipients receive, and to what extent are the services appropriate to their needs?
- How effective are these programs in helping people achieve self-sufficiency?

TABLE 5.1

EMPLOYMENT PROGRAMS FOR PUBLIC ASSISTANCE RECIPIENTS

County	Work Incentive	Community Work Experience	AFDC Grant Diversion	Supported Work	Work Readiness
Aitkin			X		X
Anoka	X		X		X
Becker	X				X
Beltrami	X				X
Benton					X
Big Stone					X
Blue Earth	X	X			X
Brown					X
Carlton			X		X
Carver	X				X
Cass					X
Chippewa			X		X
Chisago					X
Clay	X				X
Clearwater					X
Cook					X
Cottonwood			X		X
Crow Wing	X				X
Dakota	X				X
Dodge	X	X			X
Douglas					X
Faribault					X
Fillmore					X
Freeborn	X				X
Goodhue					X
Grant					X
Hennepin	X			X[a]	X
Houston			X		X
Hubbard					X
Isanti					X
Itasca	X	X			X
Jackson			X		X
Kanabec					X
Kandiyohi					X
Kittson					X
Koochiching			X		X
Lac Qui Parle			X		X
Lake					X
Lake of the Woods					X
LeSueur	X				X

Table 5.1, continued

County	Work Incentive	Community Work Experience	AFDC Grant Diversion	Supported Work	Work Readiness
Lincoln			X		X
Lyon			X		X
Mahnomen					X
Marshall					X
Martin					X
McLeod					X
Meeker					X
Mille Lacs					X
Morrison	X	X			X
Mower	X				X
Murray			X		X
Nicollet	X				X
Nobles			X		X
Norman					X
Olmsted	X				X
Otter Tail		X			X
Pennington					X
Pine					X
Pipestone			X		X
Polk					X
Pope					X
Ramsey	X				X
Red Lake					X
Redwood					X
Renville					X
Rice					X
Rock			X		X
Roseau					X
Scott	X				X
Sherburne	X				X
Sibley					X
St. Louis	X		X	X[b]	X
Stearns					X
Steele					X
Stevens					X
Swift					X
Todd	X	X			X
Traverse					X
Wabasha					X
Wadena	X				X
Waseca	X				X
Washington	X				X
Watonwan					X
Wilkin					X

Table 5.1, continued

County	Work Incentive	Community Work Experience	AFDC Grant Diversion	Supported Work	Work Readiness
Winona	X	X			X
Wright	X				X
Yellow Medicine	___	___	X	___	X
TOTAL	27	7	17[c]	2	87

Source: Department of Jobs and Training, January 1987.

[a]City of Minneapolis only.
[b]St. Louis County, excluding Duluth.
[c]Seventeen counties have set up Grant Diversion programs; not all, however, have actually used the program.

To answer these questions, we met with local service providers throughout the state and talked with numerous state-level staff. We examined data collected by the Departments of Jobs and Training and Human Services on individual programs and public assistance caseloads. Finally, we reviewed studies of Minnesota's programs as well as studies of programs in other states.

This chapter is divided into three sections. First, we examine Minnesota's AFDC population and the four programs directed at it. Second, we look at Minnesota's employable General Assistance population and the state's Work Readiness program. Finally, we summarize Minnesota's overall efforts for public assistance recipients.

A. EMPLOYMENT PROGRAMS FOR AFDC RECIPIENTS

1. AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAM

The Aid to Families with Dependent Children (AFDC) program was created by the federal government in 1935 as part of the Social Security Act. It provides financial assistance to low-income households deprived of parental support or care because of: (a) a parent's death or incapacity, (b) a parent's continued absence from home, or (c) a parent's unemployment. Federal law defines dependent children as those under 18 years of age, but in Minnesota coverage is extended to secondary school students who will graduate before reaching 19 years of age.

a. Caseload

The AFDC program is jointly funded by all levels of government. It receives approximately 53 percent of its funding from the federal government, 40 percent from the state, and 7 percent from counties.

Table 5.2 provides basic data on the AFDC program in Minnesota. As the data show, Minnesota's average monthly AFDC caseload during fiscal 1985 was 50,812 households, comprising almost 150,000 persons. Average total payments for 1985 were nearly $263 million.

TABLE 5.2

MONTHLY AVERAGE AFDC CASELOAD AND EXPENDITURES

	Single Parents	Unemployed Parents	Total[a]
Monthly Average Number of Cases	43,740	7,073	50,812
Monthly Average Number of Recipients	118,537	30,829	149,342
Yearly Expenditures	$218,516,872	$46,771,335	$262,588,207

Source: Minnesota Aid to Families with Dependent Children for Fiscal Year 1985, Reports and Statistics, Department of Human Services.

[a]Totals may not add due to rounding.

Table 5.3 shows some characteristics of adults receiving assistance as of December 31, 1984. The majority of AFDC recipients are children and their caretakers are usually mothers. Over one-half of the mothers were in their twenties; slightly over one-tenth were 20 years old or less. Approximately one-third were over 30 years of age.

The median age of children on AFDC during fiscal 1985 was six years. More than one-third of AFDC children were preschoolers.[1]

b. Duration of Use

Data collected by the Department of Human Services on welfare use indicate that most recipients rely on public assistance for only a short period of time. Fifty-six percent of those entering AFDC for the first time in 1977

[1]Minnesota Department of Human Services, *Minnesota Aid to Families with Dependent Children for Fiscal Year 1985*.

TABLE 5.3

CHARACTERISTICS OF AFDC RECIPIENTS

	Women		Men	
	Number	Percent	Number	Percent
AGE				
20 Years and Under	4,735	11%	254	3%
21-25	13,078	29	1,612	20
26-30	11,454	25	2,070	25
31-35	7,531	17	1,579	19
36 and Over	8,298	18	2,667	33
Total	45,096	100%	8,182	100%
MARITAL STATUS				
Single, Never Married	16,280	36%	818	10%
Divorced	9,560	21	524	6
Separated	10,102	22	409	5
Married	8,568	19	6,341	78
Widowed	586	1	82	1
Other	0	0	8	0
Total	45,094	99%	8,180	100%
EMPLOYMENT STATUS[a]				
Part-Time	7,264		942	
Full-Time	1,054		83	
Total	8,318		1,025	
PERCENT OF TOTAL ELIGIBLE EMPLOYED	18%		12%	

Source: Minnesota Aid to Families with Dependent Children for Fiscal Year 1985, Department of Human Services, December 31, 1984.

[a]As of June 30, 1985.

stayed two years or less; 37 percent remained on for two to seven years. A small number, seven percent, stayed on AFDC for more than seven years. This latter group, however, accounted for one-third to one-half of all AFDC expenditures.[2]

Most of the people leaving AFDC in Minnesota do so because they find employment. Data collected by the Department of Human Services indicate that single parents leaving AFDC because of employment have fewer children and are more likely to be high school graduates than AFDC recipients in general. Fifty percent of all single parents receiving AFDC have only one child, but 58 percent of those leaving AFDC for employment have only one child. More important, whereas approximately 75 percent of all single parent AFDC recipients have completed high school, 93 percent of those leaving AFDC for employment have completed high school.[3]

In addition, divorced and separated AFDC recipients tend to stay on AFDC for a shorter period of time than do single, never-married parents. While only three percent of divorced or separated recipients used AFDC for at least seven years, 15 percent of those who had never been married did so. Over 46 percent of single, never-married recipients used AFDC from two to seven years; only 30 percent of the divorced or separated recipients stayed on that long.[4]

A 1987 report from the Legislative Auditor's Office also examined the employability of AFDC recipients. It identified seven characteristics related to employability. Two of these, education and work experience, are discussed below.[5]

According to a Legislative Auditor's Office analysis of the Department of Human Services' quality control files, most AFDC recipients are high school graduates. Approximately 26 percent of all AFDC recipients at any given time did not have a high school diploma or a General Education Development (GED) certificate. Thirty-three percent of all recipients were high school graduates with no additional training, and 40 percent were high school graduates with additional college or vocational training.

Analysis of the quality control files also indicates that most recipients are unemployed, many for a long time. Fourteen percent of AFDC recipients were working. Thirty-four percent had been unemployed for more than two years; 12 percent had never been employed.

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[2]Minnesota Department of Human Services, *Use of AFDC by Single Parents: Patterns and Factors*, March 1985.

[3]*Ibid.*

[4]*Ibid.*

[5]Office of the Legislative Auditor, *Aid to Families with Dependent Children*, January 1987.

Single parents are approximately 86 percent of Minnesota's AFDC caseload, and 82 percent of total monthly expenditures. Unemployed parents, while a relatively smaller portion of the AFDC population, have nonetheless increased dramatically since the unemployed parent program began in 1970.

There are important differences between the single parent and unemployed parent populations. In general, unemployed parent recipients have fewer personal characteristics that limit employability. Important characteristics include educational attainment and previous work history. These variables are shown in Table 5.4, and are based on an analysis of the Department of Human Services' quality control files for AFDC recipients.

Unemployed parents also have more recent work experience than do single parents. Sixty-eight percent of the unemployed parents have been employed within the last two years as opposed to 52 percent of the single parents.

Unemployed parent recipients are slightly better educated than single parent recipients. Seventy-eight percent of unemployed parent recipients have a high school diploma, while 74 percent of the single parent recipients do.

Unemployed parents, however, tend to live in counties with limited employment opportunities. Approximately one-half of them live in counties where the unemployment rate is above the state average. In contrast, only one-third of the single parent recipients live in such counties.

Because the AFDC population is made up of a broad range of individuals with diverse needs, and because most recipients rely on AFDC for a short time, it is important that services to help them gain self-sufficiency are appropriate to their needs. The following sections examine four employment programs for AFDC recipients.

2. THE WORK INCENTIVE PROGRAM

The Work Incentive (WIN) program is the federal government's main welfare employment program. It is intended to place employable AFDC recipients in jobs or job training, while reducing the costs of public assistance.

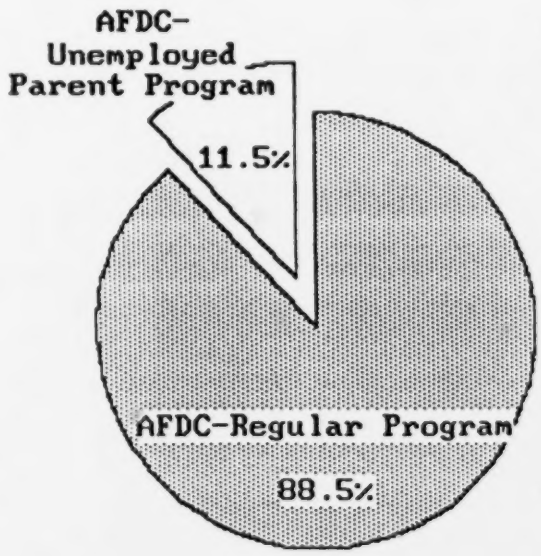
The Work Incentive program was created in 1967 to encourage and help AFDC recipients gain self-support through a program of training, work experience, and public service employment. Since its creation, however, the program has undergone significant changes. Originally, WIN emphasized institutional training to enhance registrants' work skills. In 1971, the program was made mandatory for certain AFDC recipients and changed to emphasize on-the-job training and direct job placement. Four years later, WIN was refocused to provide a more balanced approach between training and direct job placement. In 1981, federal changes redirected the program to emphasize direct job placement, which remains the major focus of WIN today.

Few studies have examined WIN's effectiveness under controlled conditions. Furthermore, early evaluations focused on the services offered by WIN

TABLE 5.4

CHARACTERISTICS OF UNEMPLOYED PARENT RECIPIENTS AND SINGLE PARENT RECIPIENTS

UNEMPLOYED PARENT RECIPIENTS		SINGLE PARENT RECIPIENTS
LENGTH OF STAY:	Have received grants for an average of 1.6 years.	LENGTH OF STAY: Have received grants for an average of 3.0 years.
EMPLOYMENT:	2.5 percent work full-time and 9.1 percent work part-time; only 33.7 percent are not seeking work. Almost half are registered for the WIN program.	EMPLOYMENT: Only 3.7 percent work full-time and 10 percent work part-time; 71.3 percent are not seeking work. Less than one-third are registered for the WIN program.
EDUCATION:	21.9 percent have not received a high school degree; 34.4 percent have graduated from high school; 43.8 percent have received some college or vocational/technical training.	EDUCATION: 26.3 percent have not received a high school degree; 33.3 percent have graduated from high school; 40.4 percent have received some college or vocational/technical training.
OTHER BENEFITS:	92.4 percent receive food stamps, and 22.4 percent live in subsidized housing.	OTHER BENEFITS: 78.3 percent receive food stamps, and 27 percent live in subsidized housing.
FAMILY:	The primary wage earner in this subgroup is generally male. 39.4 percent have children under the age of two.	FAMILY: 96.1 percent of households are female-headed. 19.5 percent have children under the age of two.



Source: Aid to Families with Dependent Children; Program Evaluation Division, Office of the Legislative Auditor, January 1987.

during the 1970s; as previously indicated, the program has changed since that time.

In 1981, as a compromise to WIN critics who wanted to abolish the program, Congress passed the Omnibus Budget Reconciliation Act. Under this act, local welfare agencies were given more flexibility in designing and delivering the Work Incentive program. Many of these initiatives are now being examined by Manpower Demonstration Research Corporation.

For the most part, national research focusing simply on WIN's job search activities found that these services had modest, positive impacts on participant earnings. Most of the effect was the result of increases in employment rates and hours worked. Only small decreases in welfare payments occurred.[6]

a. Program Description

The Work Incentive program is administered jointly under federal regulations by two state departments. The Department of Human Services determines program eligibility and ensures that necessary support services, such as day care, are available. The Department of Jobs and Training provides the employment component of the program through local Job Service offices. Its services include job search and placement assistance, referrals to other job programs, and, to a lesser extent, work experience and job training.

Federal regulations require that each AFDC recipient and applicant in participating counties register with WIN. County human service offices determine eligibility and screen for exemptions. People are exempt from WIN if they are:

a. under 16 years of age or 65 years of age and older;

b. full-time students;

c. ill;

d. residing in a non-WIN county, or more than two hours round trip from a WIN office;

e. caretakers of a dependent adult;

f. have a child under six years of age;

g. caretakers of a child in a home where another adult is registered with WIN;

h. working at least 30 hours a week in unsubsidized employment; or

i. pregnant.

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[6]Jean Baldwin Grossman and Audrey Mirsky, *A Survey of Recent Programs Designed to Reduce Long-Term Welfare Dependency*, Mathematica Policy Research, Inc., April 1985.

b. Budget

The Work Incentive program is largely federally funded. Ninety percent of its cost is paid by the federal government; the remaining 10 percent is paid by the state. Minnesota's WIN budget for federal fiscal 1986 (October 1985 through September 1986) was $5.3 million. Of this amount, $3.9 million was allocated to the Department of Jobs and Training for job-related services, and $1.4 million was allocated to the Department of Human Services for support services.

Table 5.5 shows 1986 staffing levels, budgets, and approximate workloads for WIN. During 1986, the Department of Jobs and Training employed approximately 83 WIN staff. Three were located in the central WIN office, and the other 80 staff were scattered throughout the state.

TABLE 5.5

WIN STAFFING, BUDGET AND CASELOAD BY DISTRICT

District	Staff	Budget[a]	Registrants
Northwest MN	7	$ 288,945	3,455
Northeast MN	11	415,183	5,529
Central MN	3	127,775	1,207
South MN	7	330,349	3,072
East Metro	27	1,002,960	9,101
West Metro	23	811,767	9,117

Source: Employment Service Automated Reporting System, Table 30, Department of Jobs and Training, September 30, 1985.

[a]These figures do not include support funds allocated to county human service departments.

- The Work Incentive program has been both understaffed and underfunded to deal with all registrants adequately.

As of June 30, 1986, WIN's overall caseload was 27,301 registrants, or approximately 341 registrants per staff person. The Department of Jobs and Training's employment budget per registrant was about $100. Most of the department's allocation was spend on staff to provide employment-related services, such as registering, interviewing and referring them to jobs.

Federal funding for the current program has declined substantially and represents a 50 percent decrease in funds from the previous year. Furthermore, Congress funded WIN for only nine months instead of the usual

12 months. Minnesota's WIN budget is approximately $2.5 million for October 1, 1986 through June 30, 1987. Of this, $1.9 million has been allocated to the Department of Jobs and Training for employment services, and $600,000 has been allocated to the Department of Human Services for support services. To accommodate these funding cuts, approximately one-half of WIN's 80-member field staff has been laid off. While all counties now participating in WIN will continue to do so, the number of participants per staff person will increase significantly.

Compounding WIN's funding problems is a spending requirement adopted by the 1985 Legislature. The Legislature required that as of July 1986, at least 25 percent of WIN's budget be spent on direct client services, including child care, transportation, institutional training, and on-the-job training. Seventy-five percent of the money or less was to be spent for services provided directly by state or county staff.

Federal regulations require that 33 percent of the WIN budget be spent for on-the-job training. Minnesota has traditionally applied for, and received, waivers from this requirement because of WIN's low funding level. Department of Jobs and Training expenditures from October 1984 through September 1985 show that 97 percent of its share of the WIN budget was spent on staff or administrative costs. Only three percent was expended on client services and training. Because the Department of Human Services has traditionally spent about 40 percent of its budget on direct client costs, the entire program spent approximately 15 percent for direct client services for the year ending September 30, 1985.

To meet the July 1986 deadline, the Department of Jobs and Training allocated $88,000 among WIN offices with instructions to spend the additional money on client services.[7] Most of this money was spent on transportation allowances and education-related support costs such as books and tools.

It should be noted that some items defined as staff costs by WIN are considered client services by JTPA. Salaries and fringe benefits for WIN staff conducting client-related services are counted as indirect rather than direct client costs. For example, WIN expenditures to provide job search assistance, such as EDP development or job referral, are considered indirect program costs if they are provided by WIN staff. These same services are considered direct client costs if WIN subcontracts for them through another service provider. If direct service staff costs were allocated to direct service the way they are in other federal programs, such as JTPA, the ratio of WIN's administrative expenditures to client expenditures would be more balanced.

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[7]Of the $88,000 allocated to local offices, $78,000 was from funds for the department's indirect costs and $10,000 was from planned carry-over into the next program year.

c. Analysis

(1) Program Participation

As a result of substantial cutbacks in federal funds beginning in 1981, WIN is not offered statewide. Until 1982, 53 of the state's 87 counties participated in WIN. Ninety percent of the state's AFDC population lived in those counties. Today, only 27 counties, representing 77 percent of the state's AFDC caseload, participate in WIN.

Many AFDC recipients, however, are exempt from WIN's work registration requirements. Figure 5.1 shows the total number of AFDC households in the state, the number of households receiving AFDC in counties participating in WIN, and the number of AFDC recipients registered with WIN, as of June 30, 1985. As the data indicate, approximately one-half of the statewide AFDC population, and two-thirds of those receiving AFDC in WIN counties, were registered with WIN. The remaining one-third of the recipients in WIN counties were exempt from the program.

- Slightly more than one-half of all AFDC recipients do not participate in the Work Incentive program. They either do not live in WIN counties, or they are exempt because they have children under six years of age.

Table 5.6 describes WIN registrants for 1985 and 1986. For almost all registrants, participation was mandatory. Approximately two-thirds of them were single parents, most of whom did not have children under six years of age at home. The remaining one-third were unemployed parents in two parent families.

Most registrants were white females, 22 to 44 years old. While two-thirds were high school graduates, one-third were not. Fewer than one-fifth of them had any post-high-school training or education.

(2) Services

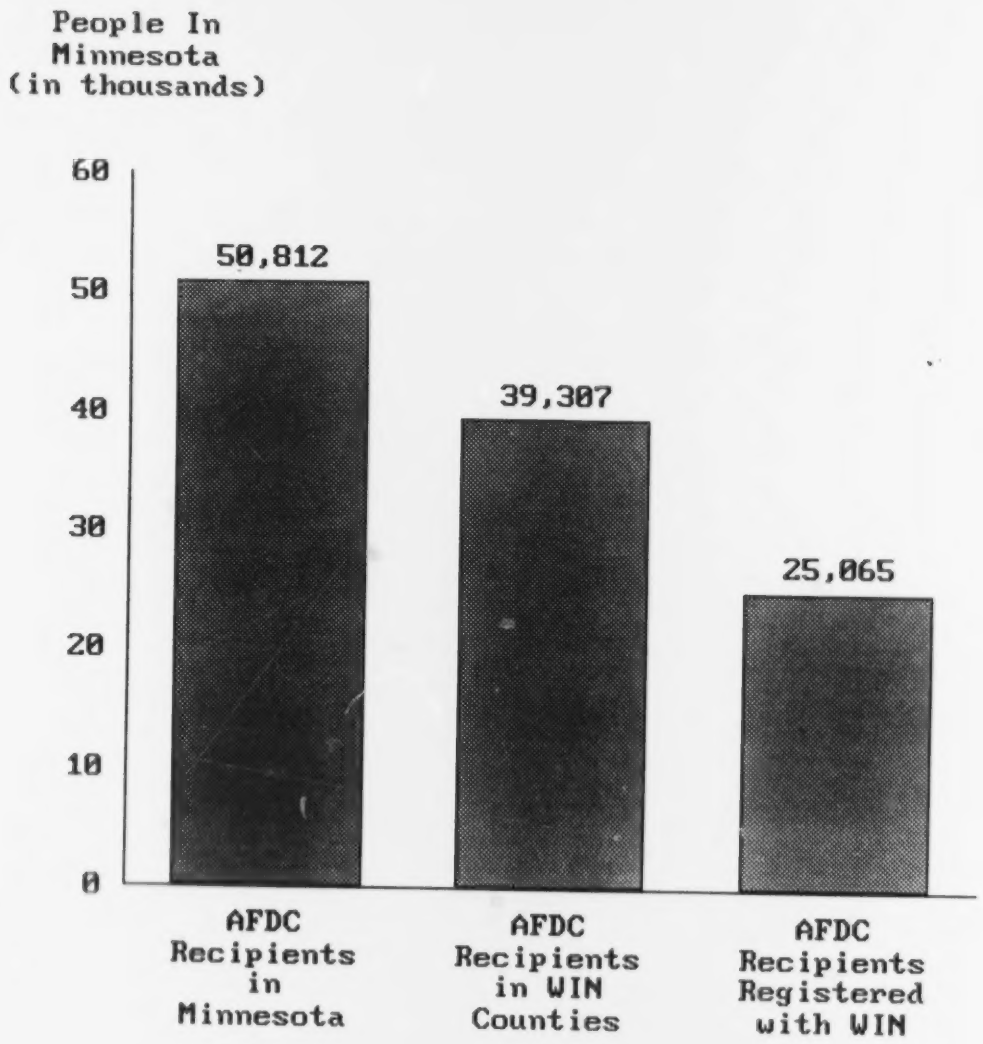
Only one-half of the state's AFDC population, and two-thirds of those in participating counties, are required to register with WIN. A much smaller number of recipients, however, participate in WIN activities that are meaningful to their needs. Registration with WIN, or even appraisal, does not guarantee help in finding jobs or getting further training.

According to federal regulations, WIN registration entitles registrants to appraisal interviews by program staff. The interviews determine what, if any, activities will be required of registrants. After the appraisal, registrants are usually assigned to one of three categories: WIN component, WIN non-component, or unassigned. WIN components include institutional training, public service employment, on-the-job training, work experience, and referral to other employment programs. Registrants assigned to most of these activities are entitled to receive monetary allowances to help support their participation in WIN activities.

Registrants assigned to WIN non-components are those with whom staff are supposed to have periodic contact, usually monthly. The contact usually

FIGURE 5.1

AFDC RECIPIENTS AND THE WORK INCENTIVE PROGRAM



Source: Employment Service Automated Reporting System, Table 30, Department of Jobs and Training, June 30, 1985; Minnesota Aid to Families with Dependent Children for Fiscal Year 1985, Reports and Statistics, Department of Human Services.

TABLE 5.6

CHARACTERISTICS OF WIN REGISTRANTS

	1985		1986	
	Number	Percent[a]	Number	Percent[a]
CUMULATIVE TOTAL	36,927		32,120	
AGE IN YEARS				
19 and Under	1,404	4%	1,692	5%
20-21	1,303	3	1,266	3
22-44	30,197	82	30,309	82
45-54	3,006	8	2,882	8
55 and Over	1,017	3	967	3
N/A	5	0	4	0
SEX				
Male	13,363	36%	13,825	37%
Female	23,564	64	23,294	63
N/A			1	0
HIGHEST GRADE				
0-8	2,809	8%	3,007	8%
9-11	9,801	26	9,505	26
12	18,232	49	18,106	49
Over 12	6,085	16	6,501	17
N/A			1	0
RACE				
White	28,294	77%	27,970	75%
Black	3,697	10	3,887	10
Hispanic	702	2	763	2
American Indian	1,675	4	1,753	5
Asian	2,456	7	2,645	7
N/A	103	0	102	0
MANDATORY REGISTRANTS	34,485	93%	35,861	97%
UNEMPLOYED PARENTS	10,959	32%[b]	12,613	35%[b]
SINGLE PARENTS	23,526	68%[b]	23,248	65%[b]

Source: Employment Service Automated Reporting System, Table 30, Department of Jobs and Training, September 30, 1985, and June 30, 1986.

[a]The sum of percentages may not total 100 percent due to rounding.
[b]Percentages shown for employed parents and single parents are their respective shares of the mandatory registrant population.

takes the form of job referral, job follow-up, or counseling. According to WIN staff, these people actually receive job search assistance although it is not classified as such. This classification practice is used to avoid paying the allowances authorized in federal regulations.

Registrants considered "unassigned" receive no WIN services beyond assessment. Included in this category are registrants experiencing chronic medical or personal problems and those needing extensive training or program resources to make them employable.

Table 5.7 shows how WIN registrants were assigned to various activities during the last two program years. The data indicate that:

- WIN offers very few direct training opportunities. Only about one-fourth of registrants were assigned to activities such as organized employment searches, institutional training or on-the-job training. Almost two-thirds were assigned to a WIN non-component, and over one-fourth received no services.

TABLE 5.7

ASSIGNMENT OF WIN REGISTRANTS TO VARIOUS ACTIVITIES

	1985		1986	
Activity	Number	Percent	Number	Percent
CUMULATIVE TOTAL Recipients Registered and Not Employed	26,935		27,080	
EMPLOYMENT SEARCH	3,815	14%	4,807	18%
Individual	3,724		4,799	
Group	158		105	
COMPONENT ACTIVITIES	2,066	8	1,915	7
Institutional Training	321		309	
On-the-Job Training	82		81	
Work Experience	35		32	
Public Service Employment	9		2	
Suspense to Other Employment	143		87	
Suspense to Other Training Programs	1,483		1,392	
NON-COMPONENT ACTIVITIES	17,438	65	17,217	64
UNASSIGNED	8,677	32	7,608	28

Source: Employment Service Automated Reporting System, Table 32, Department of Jobs and Training, September 30, 1985, and June 30, 1986.

[a]The sum of percentages do not equal 100 percent because registrants may be counted more than once.

The actual services offered to the majority of registrants, those in non-component status, vary considerably. From our visits with field offices throughout the state, we identified three types of WIN service. First, some WIN offices simply register AFDC recipients and require little more of them. Second, some offices require WIN registrants to engage in a more structured job search, requiring them to report at least monthly or contact a minimum number of employers. Third, some offices offer a more comprehensive array of services to registrants, such as job search assistance, job readiness classes, job clubs, support groups, or services tailored to individual needs. Most of the WIN offices that we visited offer the second type of service; that is, they require most registrants to engage in some type of job search.

The Twin Cities metropolitan area is a good example of the diversity of WIN services. Ramsey County operates an extensive WIN program that requires participants to engage in some type of activity weekly. Depending upon their needs, registrants may be assigned to one of several job clubs or support groups. In contrast, Hennepin County simply requires program registration. Job searches are not required; instead, registrants who are motivated to find a job are encouraged to use office resources, such as the job bank. AFDC recipients in Dakota County come into the office to register for WIN, but are not encouraged to use the office's job bank themselves. Instead, staff contact them if they are qualified for any jobs listed with the office. Almost all Anoka County registrants are required to engage in job search activities and report in weekly.

- The quantity and quality of WIN services available to registrants vary considerably throughout the state. Although WIN is administered by the state, no minimum level of service is required of local offices.

(3) Placement Rates

Performance data for program year 1985 (October 1, 1984 - September 30, 1985) show that 36,932 people registered with WIN throughout the year. Of them, 17,566 were new registrants. During the year, 5,183 people entered employment and worked for at least 30 days. This number represents 30 percent of new registrants and 7 percent of total registrants.

For the first nine months of the 1986 program, 37,120 people registered with WIN; 19,136 were new registrants. During this time, 4,010 people entered employment and worked for at least 30 days. This represents 21 percent of new registrants and 11 percent of total registrations.

The federal government requires WIN to count all placements as WIN placements even if registrants were referred to other programs through which they obtained employment. Similarly, registrants finding jobs on their own are counted as WIN placements because they are required to register with WIN. Of the 5,208 WIN registrants entering employment during 1985, 11 percent were placed directly by WIN. In 1986, 10 percent of the 4,031

registrants entering employment were placed directly by WIN.[8] The remaining registrants found jobs on their own, although WIN may have required a job search or may have referred them to other services.

Table 5.8 examines characteristics of WIN registrants who found employment. In general, whites, males, and the better educated tended to obtain employment at somewhat higher rates than did minorities, women, and those with less education.

TABLE 5.8

CHARACTERISTICS OF WIN REGISTRANTS GAINING EMPLOYMENT

	1985		1986	
Characteristic	Percent of All Registrants	Percent of Registrants Gaining Employment	Percent of All Registrants	Percent of Registrants Gaining Employment
SEX				
Male	36%	45%	37%	43%
Female	64	55	63	57
HIGHEST GRADE				
0-8	8	5	8	5
9-11	26	21	26	20
12	49	54	49	52
12 and Over	16	20	17	23
RACE				
White	77	85	75	83
Black	10	5	10	7
Hispanic	2	2	2	2
American Indian	4	3	5	2
Asian	7	5	7	5
UNEMPLOYED PARENT[a]	32	30	35	36

Source: Employment Service Automated Reporting System, Table 34, Department of Jobs and Training, September 30, 1985, and June 30, 1986.

[a]Unemployed parent figures are percentages of mandatory registrants only.

[8]These numbers refer to the total number of registrants entering employment during 1985 and 1986, regardless of how long they stayed. The entered-employment rates noted earlier refer only to those who stayed on the job for at least 30 days.

Because WIN is essentially a registration program with job search assistance, the program cannot be expected to effectively address the needs of registrants who are not job-ready. WIN registrants who need training or support services for training must obtain it through other programs, such as JTPA or MEED.

The number of people referred from WIN and subsequently enrolled in training programs is limited. As Table 5.7 indicated, approximately five percent of 1985 and 1986 registrants received training services in other programs.

Data from training programs also show low service to WIN clients. WIN registrants constitute only 2.6 percent of Title II-A JTPA clients. While there is no tabulation of the number of WIN registrants participating in MEED, AFDC recipients are not a large segment of MEED's population. Based on our sample of MEED participants, about eight or nine percent of MEED participants are AFDC recipients.

- WIN meets the needs of the job-ready AFDC population. For those less job-ready, referrals to and subsequent enrollments in other programs such as MEED and JTPA are limited.

(4) Wages Earned

Many WIN registrants entering employment were still not able to leave AFDC. Of the 5,208 WIN registrants entering employment during 1985, 3,832 went off AFDC completely. One-fourth (1,376) were not earning enough to leave AFDC completely. For 1986, one-fourth (996) of the 4,031 registrants entering employment were not earning enough to leave AFDC completely.

Table 5.9 shows the hourly wages of registrants finding employment during 1985 and 1986. As the data show, the average wage of registrants gaining employment was $5.39 per hour in 1985 and $5.38 in 1986. Full-time employment at this wage rate is sufficient to raise single parent families with one child above 185 percent of the standard of need and, hence, off welfare. It is not sufficient, however, for single parent households with two or more children, which are almost one-half of the AFDC caseload.

The average wage rate obtained by unemployed parents registered with WIN was $6.00 per hour in 1985 and $5.82 in 1986. A full-time job at this rate would raise earnings above 185 percent of the standard for a household with one child, but not for a household with more children.

- The more job-ready a person is, the better the job she or he is likely to find under WIN. In general, older registrants obtain higher paying jobs. Also, males and unemployed parents are more likely to find higher paying jobs than are women and some minority groups.

(5) Estimates of Welfare Savings

The Department of Jobs and Training estimates that AFDC payments are reduced by $3.50 or more for each dollar invested in WIN. This figure is

TABLE 5.9

AVERAGE HOURLY WAGE RATES FOR WIN PLACEMENTS

	1985	1986
OVERALL	$5.39	$5.38
SEX		
Male	6.02	5.94
Female	4.87	4.95
AGE		
16-19 Years	3.85	3.92
20-21	4.65	4.88
22-44	5.41	5.41
45 and Over	5.73	5.60
MINORITY STATUS		
White	5.43	5.40
Black	5.17	5.61
Hispanic	5.12	4.73
American Indian	5.21	5.53
Asian	5.02	4.87
UNEMPLOYED PARENTS	6.00	5.82

Source: Employment Service Automated Reporting System, Table 33, Department of Jobs and Training, September 30, 1985, and September 30, 1986.

based on a national formula that annualizes monthly AFDC grant savings from registrants obtaining jobs by multiplying monthly totals by 12, and then multiplying that number by the 30-day retention rate.

This estimate overstates WIN's probable savings for two reasons. First, it assumes that WIN registrants who are still working 30 days after finding a job continue working throughout the year. This is an optimistic assumption. A 1982 General Accounting Office report on WIN found that job retention rates fall significantly after six months. While 83 percent of registrants entering employment were employed at the 30 day follow-up, only 46 percent were still on the job six months later. Thus, annualized welfare savings from WIN are likely to be less than those reported to the federal government.[9]

[9]General Accounting Office, *An Overview of the WIN Program: Its Objectives, Accomplishments, and Problems*, June 21, 1982.

Second, this calculation of welfare savings does not take into account the number of AFDC recipients who would have found jobs without WIN. Most recipients use AFDC for relatively short periods of time; for them, AFDC is a temporary program. In the absence of studies using control groups to analyze WIN's impact on the employment of program participants and non-participants, it is too optimistic to assume that WIN caused all the resulting welfare savings.

3. THE COMMUNITY WORK EXPERIENCE PROGRAM

"Workfare" for AFDC recipients has been a key aspect of the federal administration's policy toward welfare reform. Under President Reagan, the administration has consistently proposed to replace the Work Incentive program with "workfare" programs, where AFDC recipients are required to work in unpaid jobs in exchange for their cash benefits. The assumption is that welfare costs would be reduced by making welfare less attractive than work and by moving AFDC recipients off public assistance as quickly as possible.

While Congress has consistently rejected administration proposals, it did include a "workfare" compromise in the Omnibus Budget Reconciliation Act of 1981. Provisions of the act allow, but do not mandate, states to establish workfare programs under the Community Work Experience Program. A number of states have established some form of workfare, although it has not usually been done on a large scale. For example, at least 24 states have some type of workfare program for AFDC recipients, but the programs are not usually active statewide.[10] Instead, programs have usually been established on a county-by-county basis, and often as demonstration projects. Many of the states see workfare primarily as a method to help welfare recipients develop job skills and obtain work experience, and not as a disincentive to receiving welfare.

a. Program Description

In 1983, the Minnesota Legislature authorized a demonstration Community Work Experience Program (CWEP) project in eight counties to help public assistance clients achieve self-sufficiency by ". . . enhancing their employability through meaningful work experience and training and the development of job seeking skills."[11] Seven of the original eight counties still participate in the program: Blue Earth, Dodge, Itasca, Otter Tail, Winona, Morrison, and Todd.[12] Although the 1985 Legislature

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[10]National Conference of State Legislatures, "States Link Job Search, Training, Community Service Requirements to Welfare Benefits," *The Fiscal Newsletter*, Vol. VIII, No. 6, November/December 1986.

[11]Minn. Stat. 256.737.

[12]Wadena County participated in CWEP from March 1983 through February 1984.

permitted CWEPs to be established in eight more counties, no additional counties have chosen to participate.

Federal regulations permit states to identify the groups or categories of AFDC recipients required to participate in CWEP. Minnesota's program is mandatory only for unemployed parents. Single parents are not required to participate, although individual counties may permit their participation.

Table 5.10 shows the average monthly AFDC caseload for 1985 for the seven counties participating in CWEP. As the data indicate, these counties contain nine percent of the state's unemployed parent caseload.

TABLE 5.10

AVERAGE MONTHLY AFDC CASELOAD FOR 1985
FOR COUNTIES PARTICIPATING IN CWEP

	Average Monthly AFDC Caseload		
County	Single Parents	Unemployed Parents	Total[a]
Blue Earth	470	108	578
Dodge	105	8	113
Itasca	714	249	963
Morrison	309	84	393
Otter Tail	360	40	401
Todd	244	80	324
Winona	363	54	416
Total	2,565	623	3,188
STATE TOTAL	43,740	7,073	50,812

Source: Minnesota Aid to Families with Dependent Children for Fiscal Year 1985, Reports and Statistics, Department of Human Services.

[a]Adding single parent and unemployed parent monthly averages may not equal a county's total caseload due to averaging.

Not all unemployed parents must participate in CWEP. For the most part, federal CWEP eligibility rules parallel WIN eligibility rules. Major exceptions are that CWEP rules require exemptions for recipients with children under three years of age, while WIN requires exemptions for recipients with children under six. Also, CWEP requires exemptions for people working at least 20 hours a week at the minimum wage, while WIN requires exemptions for those working at least 30 hours per week. Department of Human Services' rules further exempt recipients if they are:

a. at least 60 years old;

b. living more than two hours round trip from a work-site and no transportation is available;

c. caretakers of children under seven years of age;

d. recommended for exemption by a social worker;

e. in rehabilitation;

f. in need of day care services that are unavailable;

g. full-time students; or

h. participating in another work program.

The administrative organization of CWEPs varies by county. In two counties, local human service departments operate the CWEPs. The remaining five counties subcontract all program components; three contract with local Job Service offices, and two contract with private non-profit organizations.

The specific services offered under CWEP can vary by county. In general, they consist of a program orientation, an assisted job search, and work assignment. Some counties have added a fourth component, career planning, to their programs.

Minnesota's CWEP program emphasizes job search and placement over work experience. It does this in three ways. First, unemployed parents in WIN counties must first register and engage in WIN activities for at least two weeks prior to CWEP enrollment. Time spent on job search in WIN cannot be applied against CWEP's job search component. Second, CWEP programs must offer at least three days of job search assistance prior to placement in a work site. Third, participants cannot work over 32 hours a week; eight hours a week must be free for job search activities.

b. Budget

The Community Work Experience Program is funded with federal and county dollars; the state provides no financial support for the program. The federal government reimburses counties for 50 percent of the program's administrative costs, and for participant expenses within limits. It does not reimburse counties for costs of supervising participants or for materials or equipment.

Program costs for the first 15 months of the program were approximately $250,000. Costs per participant ranged from $307 per orientation to $625 per work-site placement.[13]

c. Analysis

(1) Participation Rates

The extent to which unemployed parents participate in CWEP varies considerably, both by county and specific program component. Table 5.11 shows the number of recipients participating in CWEP activities from October 1, 1984 through September 30, 1985.[14] These data show that 383 people completed CWEP orientation. Almost all began job search; 221 eventually began a work assignment. Although CWEP allows exempt unemployed parents and single parents to participate, almost all participants were unemployed male parents for whom the program was mandatory.

Table 5.12 compares the number of program participants with the number of unemployed parent cases opened in each county from October 1, 1984 through September 30, 1985. Approximately one-half of the unemployed parents applying for and receiving public assistance participated in the orientation and job search phases of CWEP. Almost one-third began a work-site placement.

Participation levels decrease from AFDC application through CWEP orientation to work assignment for a number of reasons. First, some counties have had problems staffing their CWEP programs, so participation in those counties has been minimal. Second, unemployed parents who are in school or other training programs full-time or who are working at least 20 hours a week are not required to participate. They may, however, be involved in the orientation phase of the program. In addition, voluntary participants may drop out at any time. Third, not all participants live near work sites, making them exempt from work-site participation. Fourth, one county has had problems finding enough work sites for eligible participants. Work sites used for CWEP participants can be the same as those used by other programs such as JTPA's Title II-B summer youth, public MEED, and Community Investment Programs. Fifth, regardless of CWEP,

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[13]Minnesota Department of Human Services, *The Community Work Experience Program in Minnesota: Second Report to the Legislature*, February 15, 1985.

[14]At the time of our analysis, current program data on CWEP were not available from the Department of Human Services. Because most CWEP service providers had not submitted quarterly reports after September 30, 1985, data used in our analysis represent services delivered from October 1, 1984 through September 30, 1985. Recently the department updated and revised the data in those reports for its 1987 report to the Legislature on CWEP. The revised data were not available for inclusion in our report. Thus, numbers reported here may not agree with numbers contained in the department's 1987 report. However, the discrepancies are not large and do not change our conclusions about CWEP.

TABLE 5.11

CWEP PARTICIPATION

County	Number of Participants in CWEP Components[a]			
	Orientation	Job Search	Career Planning	Work Experience
Blue Earth	5	5	0	6
Dodge	8	3	0	1
Itasca	112	194	59	145
Morrison	71	60	63	27
Otter Tail	75	60	0	14
Todd	66	49	57	14
Winona	46	8	10	14
Total	383	379	189	221

Source: Community Work Experience Program Quarterly Reports, Department of Jobs and Training, October 1, 1984-September 30, 1985.

[a]The Department of Human Services has recently updated numbers contained in the quarterly reports submitted by service providers. Thus, data presented here may not agree with data to be presented in the department's 1987 evaluation of CWEP.

there is the natural movement of people into and out of the welfare system. And sixth, the program may be effective in helping people find employment or acting as a disincentive to receiving welfare, thereby reducing the need for them to be placed at a work site. This last explanation is discussed in greater detail later in this chapter.

Federal regulations give states considerable flexibility in operating CWEPs. Minnesota, in turn, has given counties discretion in local program design. For example, counties decide work-site hours by dividing participants' grants by either the minimum wage or the prevailing wage for comparable work. Of the seven counties participating in CWEP, most used the minimum wage rate to determine work-site hours for the period under study.

Minnesota law does not permit participants to work more than 32 hours a week; the remaining eight hours are to be spent on job search or other activities. Table 5.13 shows the average number of hours worked each month by work experience participants in each county. As the data indicate, the average number of hours worked varies considerably. Program participants in three counties approach the maximum number of hours allowed (128), while participants in the other four counties spend considerably less time in work sites.

TABLE 5.12

PERCENTAGE OF NEW UNEMPLOYED PARENTS PARTICIPATING IN CWEP

County	New Openings	Percent Participating In:[a] Orientation	Job Search	Career Planning	Work Experience
Blue Earth	112	4.5%	4.5%	0%	5.4%
Dodge	36	22.2	8.3	0	2.8
Itasca	271	41.3	71.6	21.8	53.5
Morrison	90	78.9	66.7	70.0	30.0
Otter Tail	85	88.2	70.1	0	16.5
Todd	80	82.5	61.2	71.2	17.5
Winona	66	69.7	12.1	15.1	21.2
Total	740	51.8%	51.2%	25.5%	29.9%

Source: Minnesota Aid to Families with Dependent Children for Fiscal Years 1985, Reports and Statistics, Department of Human Services.

[a]The Department of Human Services has recently updated numbers contained in the quarterly reports submitted by service providers. Thus, data presented here may not agree with data to be presented in the department's 1987 evaluation of CWEP.

- Although seven counties in Minnesota operate a demonstration workfare program, job search is stressed over work assignment. Fewer than one-third of new unemployed parent recipients in these counties are ultimately assigned to work sites.

(2) Work Assignments

The extent to which work sites provide valuable job skills to participants is limited. All work is in public or private non-profit agencies. Most is entry level. According to the Department of Human Services' 1985 evaluation of CWEP, the most common CWEP work sites were street and highway departments, schools, and parks and other natural resource areas. The work most often done was maintenance of streets, highways, buildings, and grounds. Less frequently, participants were placed as teachers' aides, clerical workers, and carpenters.[15]

As part of its 1985 evaluation of CWEP, the Department of Human Services surveyed CWEP participants to see how they viewed their work experiences. Seventy-one percent of those responding to the survey did not feel that

[15]Minnesota Department of Human Services, *op. cit.*

TABLE 5.13

WORK EXPERIENCE HOURS

County	Average Number of Workers Per Month[a]	Average Number of Hours Per Month[a]	Average Number of Hours Worked Per Worker[a]	Hourly Wage Rate
Blue Earth	4.00	475	119	$4.00
Dodge	.08	8	--	b
Itasca	101.00	3,066	30	8.60[b]
Morrison	9.00	786	87	3.35
Otter Tail	6.00	728	121	3.35[b]
Todd	7.00	736	105	3.35[b]
Winona	5.00	330	66	3.35

Source: Community Work Experience Program Quarterly Reports, Department of Jobs and Training, October 1, 1984 through September 30, 1985.

[a]The Department of Human Services has recently updated numbers contained in the quarterly reports submitted by service providers. Thus, data presented here may not agree with data to be presented in the department's 1987 evaluation of CWEP.

[b]Dodge County uses prevailing wage rates to determine hours worked. Recently, Morrison and Todd Counties have begun to use prevailing wage rates also.

they learned new skills through work in CWEP. Only 23 percent of the respondents who were no longer on work assignments felt they learned skills useful for finding a job.[16]

Work assignments in Minnesota parallel the national experience. Preliminary findings from a five-year study of workfare programs in eight states by Manpower Demonstration Research Corporation indicate that workfare programs have not been implemented as a "punitive" measure. Clients usually worked at entry-level jobs in maintainence, clerical, park, or human service jobs. The jobs were not "make-work," but they did not provide substantial skills development. Many participants responded favorably when asked to evaluate their work assignments; most, however, would have preferred a regular paid job to workfare.[17]

[16]*Ibid.*

[17]Judith Gueron, *Work Initiatives for Welfare Recipients*, Manpower Demonstration Research Corporation, March 1986.

(3) Job Placement

Outcome data on Minnesota's CWEP program are limited. The Departments of Jobs and Training and Human Services do not collect, nor do they require service providers to collect, data on client characteristics (age, education, employment history, etc.), or data on specific services received in CWEP or other employment programs. In addition, there is no systematic follow-up of CWEP participants.

The only information available on client outcomes comes from service providers' estimates included in quarterly reports required by the Department of Human Services. Service providers estimate how many CWEP participants left welfare after participating in job search, how many of the terminations were due to employment, and how many people found jobs due to a work assignment. Table 5.14 shows the results for October 1, 1984 through September 30, 1985. According to these data:

- A higher proportion of CWEP participants gained employment after job search than after work experience.

During the year under study, 379 people engaged in job search. Service providers estimate that 212, or 56 percent, became employed after the search. In comparison, slightly over one-tenth of the 221 work experience participants gained employment as a result of that activity. While much of this difference is probably due to the employability of various groups within the unemployed parent population, it suggests the value of job search to the program.

The Department of Human Services' 1985 survey indicated that program administrators felt that CWEP helped some people find jobs because of new work skills, a current work history, better work attitudes and habits, and improved job search skills. Some administrators thought that the program improved self-esteem and family relationships for some participants. Several, though, said CWEP failed to help many participants because it is insufficiently equipped to deal with such problems as the inability to read or write, inadequate social skills, poor hygiene, depression, and chemical dependency.[18]

- Placement in a work site can have two goals. First, it can provide job skills to participants. Second, and perhaps more importantly, it can provide job experience. For the most part, work-site placement in CWEP does not achieve the first goal, but, according to most service providers and work-site participants, it does achieve the second.

(3) Welfare Caseloads

Some Minnesota counties participating in CWEP have experienced decreases in their unemployed parent caseloads. However, it does not appear that the caseload reductions were primarily due to CWEP. In its 1985

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[18]Minnesota Department of Human Services, *op. cit.*

TABLE 5.14

GRANT TERMINATIONS AFTER CWEP PARTICIPATION

County	Grant Terminations After Job Search [a]	Grant Terminations Due to Employment [a]	Gained Employment After Job Search [a]	Obtained Jobs Due to Work Experience [a]
Blue Earth	9	8	7	6
Dodge	0	0	0	0
Itasca	188	116	116	3
Morrison	24	20	18	0
Otter Tail	48	48	48	20
Todd	33	22	18	0
Winona	6	5	5	3
Total	308	218	212	31

Source: Community Work Experience Program Quarterly Reports, Department of Jobs and Training, October 1, 1984 through September 30, 1985.

[a]The Department of Human Services has recently updated numbers contained in the quarterly reports submitted by service providers. Thus, data presented here may not agree with data to be presented in the department's 1987 evaluation of CWEP.

evaluation of CWEP, the Department of Human Services tried to ascertain how welfare rolls were affected by CWEP participation. It examined monthly AFDC data for each participating county and surrounding counties from March 1982 through August 1984. This time period covered months prior to and after CWEP implementation. No statistically significant changes in AFDC caseloads due to CWEP were found in any of the seven counties.

The relationship between work experience programs and welfare rates is being examined under much more controlled conditions by Manpower Demonstration Research Corporation (MDRC), which in 1982 began a five-year study of workfare programs in eight states.[19] Programs in the study differ: some stress the obligation to work or participate in some activity such as job search, while others require work experience in return for cash benefits.

Preliminary results from MDRC indicate that workfare's impact on employment and welfare rates varies by how the state's program is administered, who is required to participate, and AFDC grant levels. In general:

- Comparable increases in earnings and employment will most strongly affect the caseloads in states that pay lower benefits, since small earnings increases in those states are more likely to result in AFDC program termination.

- Employment programs for AFDC unemployed parents produce little or no effect on their employment rates, although those programs sometimes lead to some reductions in caseloads or welfare costs.

- Under certain circumstances, employment and earnings increase when job search workshops are followed by a short-term work obligation.

Findings from MDRC's case studies suggest that the net effect of workfare programs is greatest for welfare recipients with limited prior work experience. These people tend to fare less well on their own and benefit the most from program services.

Gross operating costs for workfare programs varied considerably across the states studied, ranging from $165 to $1,050 per participant. For the most part, workfare programs cost less to deliver than they save in welfare payments. Depending on program specifics and on assumptions about human behavior, benefits exceeded costs by $100 to $2,000 per participant. It should be noted, however, that in the short run workfare programs cost more money than they save. Almost all program costs are incurred up front, whereas program benefits accrue slowly over time.

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[19] Gueron, *op.cit.* For a more complete discussion of workfare programs, see: Office of the Legislative Auditor, *Aid to Families with Dependent Children*, January 1987.

4. GRANT DIVERSION

a. Program Description

Grant Diversion is a voluntary program that places AFDC recipients in subsidized full-time jobs. Each recipient's AFDC grant is diverted to an employer to help pay for the cost of on-the-job training or a wage subsidy. Grant Diversion targets WIN participants, voluntary JTPA and MEED participants, and all other voluntary participants in job programs who are single heads of AFDC households available for full-time work. Unemployed parent recipients may use Grant Diversion in numbers proportionate to their county caseload composition for the preceding year.

AFDC recipients volunteering for the program and obtaining on-the-job training or subsidized employment have their diverted grant amounts frozen for up to nine months. During this time, any changes in their earned income or other eligibility factors do not affect their eligibility or grant amount.

To utilize Grant Diversion, a service provider must find a job that pays a wage at least 185 percent of the AFDC recipient's standard of need. Service providers must also ensure that all necessary support services, including child care, are provided to participants. Medical assistance is extended to AFDC recipients during the subsidy period if employers do not routinely provide health insurance coverage to their employees.

Because actual placements are made by WIN, JTPA, or MEED service providers, their respective rules govern the amount of payment for on-the-job training or subsidized employment contracts. Grant Diversion placements are intended to lead to permanent full-time employment in the private, non-profit, or public sector. Employers using Grant Diversion agree to hire people beyond the nine-month subsidy period. Because of economic conditions in some parts of the state, however, placements can be made in temporary full-time positions. Temporary placements cannot exceed five months.

b. Budget

No state money has been appropriated to help counties establish or operate Grant Diversion programs. Fifty percent of the program's administrative costs to counties is reimbursed by the federal government as long as the remaining fifty percent is paid from non-federal sources.

c. Analysis

To utilize Grant Diversion, a service provider must find a job that pays a wage at least 185 percent of the AFDC recipient's standard of need. Table 5.15 shows the hourly wage rates needed to provide 185 percent of the standard of need for AFDC households of varying sizes. For example, a single parent recipient with one child must earn a minimum of $4.67 per hour; an unemployed parent recipient with one child must earn at least $5.46 per hour. As the size of the household increases, the wage rate needed to provide 185 percent of the standard of need increases significantly.

TABLE 5.15

GRANT DIVERSION WAGE RATES NEEDED FOR VARYING STANDARDS OF NEED

	Percent of AFDC Population	Standard of Need	185 Percent of Standard of Need	Lowest Possible Wage Per Hour
SINGLE PARENTS				
One Child	42%	$434	$ 803	$4.67
Two Children	26	528	977	5.68
Three Children	11	616	1,140	6.63
Four Children	3	691	1,278	7.43
UNEMPLOYED PARENTS				
One Child	3%	$507	$ 938	$5.46
Two Children	5	601	1,112	6.47
Three Children	3	689	1,275	7.42
Four Children	1	764	1,413	8.22

Source: Department of Jobs and Training, June 1986.

- Requiring that wages equal at least 185 percent of recipients' standard of need limits the number of AFDC recipients who can realistically participate.

Most employment and training programs do not place AFDC recipients in jobs paying wages high enough to qualify for Grant Diversion. Table 5.16 shows the average hourly wage rates obtained by AFDC recipients in WIN, JTPA, and MEED.

As these data indicate, only households with one child can realistically hope to participate in the program. Such households are about 45 percent of the AFDC population and are predominantly single parent households. Entry-level wages of AFDC recipients in MEED are too low to qualify for Grant Diversion. Average placement wages obtained by female AFDC recipients in JTPA are high enough to qualify for Grant Diversion only for single parent households with one child. JTPA placements do not pay enough for unemployed parents to participate. Placements obtained through WIN are better paying, especially for unemployed parents. Single parents with one child can qualify for Grant Diversion, as can unemployed parents with one or two children.[20]

[20]The 185 percent standard of need requirement no longer applies to unemployed parents participating in Grant Diversion. According to the Department of Jobs and Training's interpretation of a recent ruling by the federal government, unemployed parents may now volunteer for Grant Diversion at any wage as long as they work over 100 hours a month.

TABLE 5.16

AVERAGE HOURLY WAGE RATES OBTAINED BY AFDC RECIPIENTS

	WIN	MEED	JTPA
AVERAGE WAGE	$5.38	$4.31[a]	$5.36
Male	5.94	--	5.36
Female	4.95	--	4.70
Unemployed Parents	5.82	--	--

Source: Employment Service Automated Reporting System, Table 33, Department of Jobs and Training, June 30, 1986; Title II-A, Department of Jobs and Training, July 1, 1985 through March 31, 1986.

[a]The average wage for MEED is based on sample data for AFDC eligibles and recipients for the period January 1 through June 30, 1986.

Outside the seven-county Twin Cities metropolitan area, it is difficult to find jobs paying enough to qualify for Grant Diversion, even for small households. In greater Minnesota, available entry-level jobs often pay little more than the minimum wage. For example, social services staff in one rural southern Minnesota county indicate that only one major employer in the area pays wages that are equal to or greater than 185 percent of the lowest standard of need. In addition, entry-level jobs in many industries, such as the service and health care industries, are increasingly becoming part-time.

To date, 17 counties have set up Grant Diversion programs, most within the last four months. However, this represents only three service providers. The Arrowhead Economic Opportunity Agency operates Grant Diversion for four counties in northeastern Minnesota; the Southeastern Minnesota Private Industry Council operates a program for 12 counties; and Anoka County operates the program itself. With the exception of Anoka County, counties in the Twin Cities metropolitan area have not implemented the program, even though most of Minnesota's AFDC recipients live there.

- While 17 counties have set up Grant Diversion programs, not all have actually used it. To date, 30 placements have been made using Grant Diversion, slightly more than half of which were unemployed parents. An additional 16 placements have been made into unsubsidized employment.

St. Louis County has been using Grant Diversion since April 1986, longer than any other county. From April through September 1986, 169 AFDC recipients were assessed for Grant Diversion. As Table 5.17 shows, 16 of the assessments resulted in employment. While this represents a small

TABLE 5.17

GRANT DIVERSION ASSESSMENTS AND PLACEMENTS IN ST. LOUIS COUNTY

	Assessments		Placements	
	Number	Percent	Number	Percent
AFDC STATUS				
Single Parent	91	55%	3	27%
Unemployed Parent	71	42	8	73
Incomplete Data	6	3	0	0
Total	169		11	
AFDC GRANT				
Less Than $400	5	30%	1	9%
$400-$499	45	27	3	27
$500-$599	41	24	2	18
$600-$699	71	42	4	36
$700-$799	5	3	0	0
$800 and More	2	1	1	9
Total	169		11	

Source: Arrowhead Economic Opportunity Agency, April through September 1986.

percentage of the assessments done, it should be noted that not all of those assessed may be ready for subsidized employment. Assessments can result in recipients receiving other services such as basic education or child care.

Of the 16 recipients gaining employment, 11 actually had their AFDC grants diverted. In general, program placements tended to be white men with training past high school. Of the 11 people placed using Grant Diversion, seven had some type of vocational training, two were high school graduates, one had a GED, and one was a college graduate.

Although Department of Jobs and Training guidelines require that counties serve unemployed parents only in proportion to their caseload composition, St. Louis County's program has served significantly more unemployed parents than single parents. Unemployed parents represent 26 percent of the county's AFDC caseload; they made up 73 percent of Grant Diversion placements made through September 1986.

Grant Diversion seems likely to have a limited effect on the employment of single parent AFDC recipients unless lower wage rates are permitted.

Because few counties are using the program and few placements have been made in participating counties, we recommend that:

- The Office of Full Productivity and Opportunity, along with the Departments of Jobs and Training and Human Services, should reassess the need for wages to be at least 185 percent of a single parent recipient's standard of need.

The requirement that wages be 185 percent of recipients' standard of need was chosen for three major reasons. First, this wage rate provides participants with an adequate income during the transition period between an AFDC check and a paycheck by diverting the first month's grant to participants rather than employers. Second, it provides participants with enough income to remove them from public assistance after the subsidy ends. Third, it provides a substantial subsidy to employers to provide full-time permanent jobs to AFDC recipients.

It should be noted, however, that the wage rates required under Grant Diversion are higher than the initial wage rates of AFDC recipients participating in MEED. In addition, recipients interested in gradually working their way off public assistance should be encouraged to do so whenever possible, especially if subsidized positions offer on-the-job training or the possibility of salary increases after the subsidy period ends.

Furthermore, since AFDC recipients have priority status in MEED, it makes more sense to use recipients' grants, which are largely federal dollars, to subsidize wages rather than state funds. Currently, there are few financial incentives for counties to use Grant Diversion instead of MEED. Service providers estimate that it costs approximately $750 to assess and place an individual using Grant Diversion. Counties recover only half of this cost from the federal government and must absorb the other half themselves. Thus, counties may be reluctant to use Grant Diversion without some additional financial support. We recommend that:

- The Legislature examine ways of providing incentives for the use of Grant Diversion.

5. SUPPORTED WORK

The concept of Supported Work was developed in the early 1970s to address the needs of the hardest to employ. The original project was begun as a research and demonstration project in 1975. Its objective was to provide one year's work experience to individuals with severe employment barriers. The work experience involved gradually increasing work demands, close supervision, and work in association with a group of peers.

a. Program Description

Minnesota's Supported Work program is designed to develop entry-level, permanent positions in the private sector for AFDC recipients who have received public assistance for more than three years. Minnesota's program

further targets recipients who have a high school education, but little or no work history.

Three key features distinquish Supported Work from other job programs in the state: close supervision, peer support, and graduated stress management. During the training program, employers are to submit monthly participant progress reports to enable Supported Work staff to make adjustments or intervene if problems arise. In addition, participants are to attend workshops during training to help build confidence and share problems. Finally, graduated stress allows participants to work at a gradual pace, with employers slowly increasing job demands over a four-month period until production is maximized.

b. Budget

There is no direct state or federal funding for Supported Work. The state is encouraging counties to implement the program along with Grant Diversion. In this way, the federal government would reimburse counties 50 percent of their administrative costs (through the overall AFDC budget) and AFDC grants could be used to defray wage subsidy costs.

Supported Work programs have been established recently in Minneapolis and St. Louis County (excluding Duluth). Wage subsidies are being funded largely with MEED discretionary money from the Office of Full Productivity and Opportunity, rather than through Grant Diversion.

c. Analysis

From October 1984 through April 1986, the Department of Human Services, the Council on Black Minnesotans, and private foundations operated a pilot Supported Work program.[21] Thirty-seven AFDC recipients enrolled in the program; as Figure 5.2 indicates, most participants were young, single women with one or two children. About one-fourth of the women had at least one child under six years of age. Almost all participants had at least high school educations.

Of the 37 women enrolled in the program, 29 were placed in jobs through MEED; 27 continued to work after the subsidy period ended. Almost one year after finishing the Supported Work program, 18 of the 27 participants were still employed, all but one full-time.

Supported Work programs are costly to implement and operate. The state's pilot program cost $201,016; wage subsidies represented 62 percent of the program's cost. Overall program costs averaged $5,433 per participant, $6,932 per person placed in a job, and $7,445 per person completing the program.

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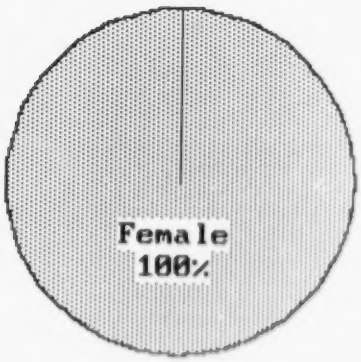
[21]Richard Chase, Ph.D., *Supported Work Program Evaluation Study*, Wilder Research Center, August 1986.

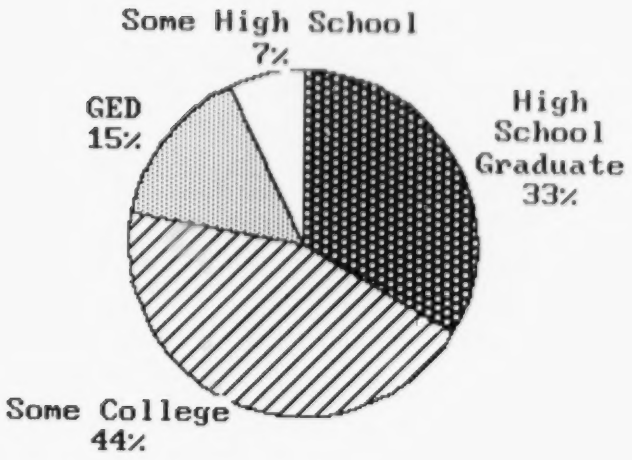
FIGURE 5.2

CHARACTERISTICS OF SUPPORTED WORK PARTICIPANTS

SEX



EDUCATION

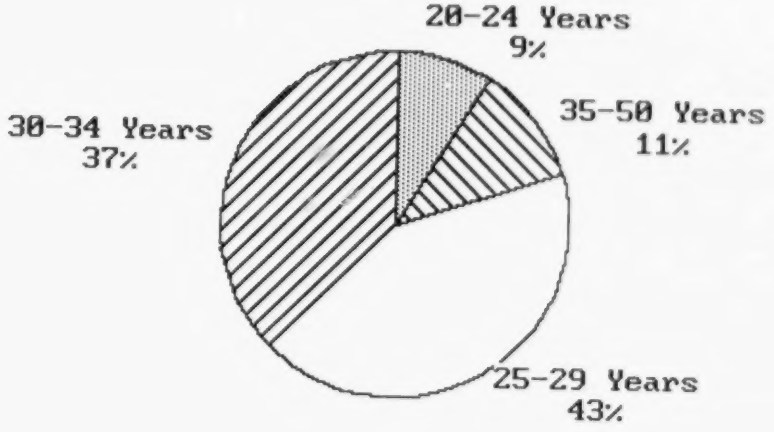


Source: Supported Work Program Evaluation, Wilder Research Center, August 1986.

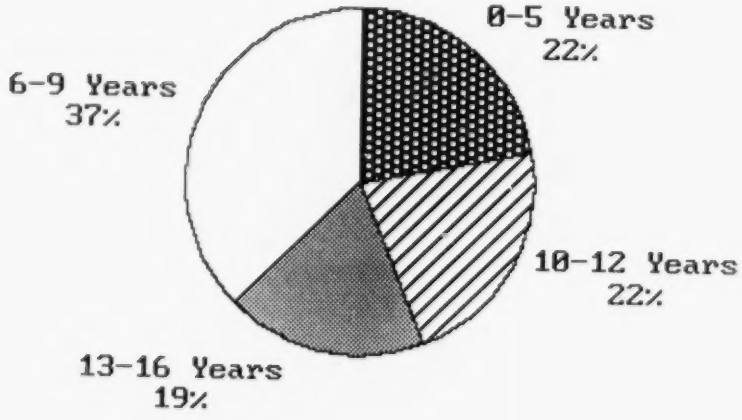
FIGURE 5.2 (Continued)

CHARACTERISTICS OF SUPPORTED WORK PARTICIPANTS

AGE IN YEARS



AGE OF YOUNGEST CHILD AT HOME



Source: Supported Work Program Evaluation, Wilder Research Center, August 1986.

According to the Wilder Foundation's 1986 evaluation of the state's pilot Supported Work program, program participants were better educated than most long-term AFDC recipients. Of the state's sample of 27 participants with whom evaluation interviews were conducted, 12 participants had some college education, 13 had a high school diploma or its equivalent, and only 2 had not finished high school. Furthermore, 19 reported that they had some vocational training, 12 of whom reported having a certificate or degree from a vocational school or community college. Three of the 12 had completed their vocational training in the 12 months immediately preceding their participation in the program.[22]

- Given the cost of Supported Work, we question using this option for AFDC recipients with high levels of education. Because this program is probably the most intensive effort offered to AFDC recipients, the state should ensure that it serves less employable AFDC recipients.

National research has shown that Supported Work is effective for people with severe barriers to employment. The original Supported Work project was directed at four distinct groups of hard-to-employ persons: long-term female AFDC recipients, convicts recently released from prison, former drug addicts, and young high school dropouts many of whom had delinquency problems. Fewer than one-third of the participants were high school graduates, fewer than one-fourth were married, and the average number of weeks they had worked prior to program enrollment was six to seven.

Although program performance among the four groups varied considerably, Supported Work proved most effective for the AFDC mothers. Their participation led to increases in employment rates, hours worked, and wages earned, both during and after program participation. Welfare payments to this group fell significantly, as did other forms of public assistance, such as food stamps. Within this group, the mothers most helped tended to be older (between 36 and 44 years of age), to be less educated, to have been on welfare longer, and to have had little to no prior work experience.[23]

While the program proved to be costly (averaging from $5,740 to over $10,000 per participant), there were payoffs in the long run. Cost-benefit analyses done by both Manpower Demonstration Research Corporation and Mathematica Policy Research found the program to have considerable

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[22]It should be noted that the Department of Jobs and Training believes that the educational levels of Supported Work participants as reported in the Wilder Foundation evaluation may be too high. According to the department, interviews with program participants at the time of application to the program show lower levels of educational attainment.

[23]Gary Burless and Robert H. Haveman, "Policy Lessons from Three Labor Market Experiments," *Employment and Training Research and Development: Lessons Learned and Future Directions, Conference Proceedings of the National Council on Employment Policy*, January 26-27, 1984.

payoffs for the welfare mothers, primarily due to the long-term gains in earnings and the value of the output from the demonstration jobs.[24]

B. PROGRAMS FOR EMPLOYABLE GENERAL ASSISTANCE RECIPIENTS

The first part of this chapter examined Minnesota's programs for parents receiving AFDC. This section examines the Work Readiness program that serves employable individuals who formerly received General Assistance (GA).

1. PROGRAM DESCRIPTION

Prior to 1985, Minnesota operated a General Assistance program for single adults who had no other source of income. Unless exempt, recipients were required simply to register for work as a condition for receiving a public assistance grant. In 1985, the Legislature modified the program, limiting GA eligibility and creating a Work Readiness program for persons deemed employable.

Both General Assistance and Work Readiness are state-supervised, county-administered programs. They are jointly funded by the state, which pays 75 percent of the program costs, and counties, which pay 25 percent.

Table 5.18 shows average monthly caseloads and net payments for General Assistance and Work Readiness from 1985 through 1987. As the data indicate, the General Assistance caseload decreased by approximately 10,000 cases with the advent of Work Readiness.

The Work Readiness program is an alternative to General Assistance for people who are considered employable. People receive Work Readiness grants (equal to a GA grant) for a minimum of two out of 24 months as long as they: (a) meet the income guidelines, (b) remain employable and thus ineligible for GA, and (c) participate in the required Work Readiness training. Eligible participants must spend at least eight hours per week on Work Readiness activities required by the county and accept any suitable offer of employment. Work Readiness activities must include: an employability assessment and development plan; referral to available employment assistance programs, including MEED; job search; and other activities designed to prepare registrants for permanent employment.

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[24]Grossman and Mirsky, *op. cit.*

TABLE 5.18

GENERAL ASSISTANCE AND WORK READINESS
MONTHLY AVERAGE CASELOADS AND PAYMENTS

	General Assistance		Work Readiness	
	Monthly Average Caseload	Total Net Payments	Monthly Average Caseload	Total Net Payments[a]
Fiscal 1985	34,587	$77,457,693	--	--
Fiscal 1986	24,015	54,395,342	8,877	$18,753,003
Fiscal 1987[b]	22,735	54,812,042	10,610	22,719,388

Source: Minnesota Income Maintenance Projections for the Fiscal Year 1988-1989 Biennium, Department of Human Services, November 7, 1986.

[a]These figures do not include training or administrative costs of the Work Readiness program.

[b]These are projected figures.

A GA eligible person is exempt from Work Readiness if he or she:

a. has a permanent or temporary illness, injury, or incapacity which is medically certifiable;

b. is caring for another person who is aged, ill, injured or incapacitated;

c. resides in a licensed health facility or battered women's shelter;

d. is enrolled as a full-time student and is eligible for displaced homemaker services;

e. does not speak English;

f. is medically certified as mentally retarded or mentally ill;

g. has an application pending for Supplemental Security Income or Social Security Disability;

h. is of advanced age (those 55 or older whose recent work history shows a marked deterioration compared to their work history prior to age 55; those less than 55 who are certified by a vocational specialist as having a significantly limited ability to obtain employment because of advancing age);

i. is completing a secondary education program;

j. has one or more minor children (under 18) in the household;

k. is medically certified as learning disabled;

l. was certified by the Commissioner of Jobs and Training prior to August 1, 1985, as lacking the skills necessary to hold a job;

m. is functionally illiterate (unable to read or write at or above the eighth grade level);

n. meets one of the following criteria:

1. lives more than two hours from possible employment,
2. is involved with protective or court ordered services,
3. is in the last trimester of pregancy,
4. lacks available child care,
5. is found to be unable to obtain employment by a vocational specialist, or
6. exhibits severe symptoms of mental illness, emotional disability or chemical dependence for which the person refuses treatment,

o. exhibits severely diminished functioning in areas of daily living;

p. shows circumstances such that the need for GA will not exceed 30 days; or

q. is having an individual or family crisis.

2. PROGRAM IMPLEMENTATION

Counties can provide their own Work Readiness services or contract with other agencies for services. Almost three-fourths of the state's counties contract with their local JTPA service provider for these services. The remaining counties either provide the services themselves or contract with the Minnesota Job Service.

From the outset there were problems in implementing Work Readiness. First, there was little lead time provided to set up the program. Work Readiness was created by the Legislature in May 1985 and programs were expected to be in place by August 1985. Moreover, service providers experienced an onslaught of applicants during the early months of the program. As can be seen from Table 5.19, the Work Readiness program grew from 241 registrants in August 1985 to 4,610 registrants in September to 12,769 registrants in October. Most of the initial referrals were long-term GA recipients and not more recent GA applicants. Some service providers reported that, because of the large number of referrals coming over to their programs, many initial registrants received inadequate service.

TABLE 5.19

GENERAL ASSISTANCE AND WORK READINESS MONTHLY AVERAGE CASELOADS

	General Assistance	Work Readiness	
		Unpaid Registrants[a]	Paid Registrants
April 1985	36,438	--	--
May	35,307	--	--
June	34,076	--	--
July	34,014	--	--
August[b]	33,669	599	241
September[b]	27,671	573	4,610
October	17,959	341	12,769
November	17,303	245	12,853
December	17,398	228	12,294
January 1986	17,464	212	14,423
February	17,563	191	12,285
March	18,358	228	11,869
April[c]	18,922	213	10,837

Source: Monthly Report on Income Maintenance Programs, Department of Human Services, June 1986.

[a]Not available for Hennepin, St. Louis, Stearns, and Koochiching Counties.

[b]Work Readiness and General Assistance were indistinguishable in several counties during August and September. Therefore, participation in General Assistance is overstated and Work Readiness is understated.

[c]April figures are preliminary.

Second, service providers experienced financial problems in trying to serve the Work Readiness population. Counties can claim $50 in administrative costs and $100 in direct client costs per person for the first two months of Work Readiness. They can claim an additional $100 per person for the next four months.

However, initial funding was inadequate; for many counties it was non-existent. The 1985 Legislature appropriated $7 million for program implementation and delivery for the 1986-87 biennium. The $3.5 million allocated for fiscal 1986, however, was spent before the fiscal year was even half over.

Initial funding problems were partially the result of the way the Department of Human Services required counties to request reimbursement.

Counties were required to automatically bill the state $150 for each person deemed eligible for Work Readiness. Many of those people, however, never enrolled in the program. Some counties built up surpluses, drawing down the $3.5 million intended to last the first year. At the request of the Department of Jobs and Training, the Department of Human Services now requires that employability plans be in place (which must be developed within the first 30 days) before counties can be reimbursed.

3. ANALYSIS

a. Placement Rates

Table 5.20 provides a general picture of the Work Readiness population. Because the Department of Jobs and Training collected these data differently during the first five months of the program, data are presented in two separate time frames. In addition, available data for 1986 are not complete; they do not include information from programs in Hennepin County, the City of Minneapolis, and three other counties.

As Table 5.20 indicates, the average Work Readiness registrant is young, white, and male. Most have never been married. Approximately one-third have not completed high school.

Table 5.21 presents termination data on Work Readiness registrants. Only nine percent of those terminated during the first five months of the program began unsubsidized employment. While the 1986 data are not complete and should be interpreted with care, they indicate that higher proportions of registrants (21 percent) have been terminated to unsubsidized employment since January 1986.

Table 5.22 breaks down available data for 1986 into three geographical areas: Ramsey County and the City of St. Paul; suburban metropolitan counties (Anoka, Carver, Scott, and Dakota); and the remainder of the state. Only 14 percent of the people terminated from Work Readiness programs in Ramsey County and St. Paul obtained unsubsidized employment. In contrast, 31 percent of those terminated in the suburban counties and 21 percent of those terminated in outstate Minnesota found unsubsidized jobs.

The chances of being successfully terminated from Work Readiness appears somewhat related to educational achievement. In general:

- The more education one has, the more successful one's job search within Work Readiness. Registrants without a high school education were less likely to obtain unsubsidized employment, and more likely to be referred elsewhere, to move from the county, or to be terminated from Work Readiness.

TABLE 5.20

CHARACTERISTICS OF WORK READINESS REGISTRANTS

	August-December 1985		January-June 1986	
	Number	Percent	Number	Percent
SEX				
Male	13,987	72%	5,925	68%
Female	5,452	28	2,773	32
Unknown	10			
AGE				
0-19 Years	822	4%	864	12%
20-29	10,086	52	3,501	49
30-39	5,107	26	1,578	22
40-49	2,452	13	881	12
50-59	941	5	324	4
60+	41	--	8	--
Unknown	0	--	1,542	--
RACE				
White	12,760	70%	7,464	86%
Black	3,462	19	200	2
Native American	1,649	9	849	10
Hispanic	252	1	126	1
Oriental	165	1	59	1
Other	23	0	--	--
Unknown	1,138	--	--	--
MARITAL STATUS[a]				
Married	1,451	7%	--	--
Never Married	12,780	66	--	--
Married, Separated	1,543	8	--	--
Divorced	3,428	18	--	--
Widowed	185	1	--	--
Unknown	62	--	--	--
EDUCATION				
No High School	5,929	32%	2,675	31%
High School	10,689	57	4,264	49
Post High School	2,015	11	1,697	20
High School Student[b]			61	1
Unknown	--	--	1	--

Source: Department of Jobs and Training.

[a]These data were not collected from January-June 1986.

[b]These data were not collected from August-December 1985.

TABLE 5.21

WORK READINESS TERMINATIONS

Terminations	September-December 1985 Number	September-December 1985 Percent	January-June 1986 Number	January-June 1986 Percent
Did not meet participation requirements/could not be located	3,916	44%	a	
Began unsubsidized employment	829	9	942	21%
Returned to school	129	1	75	2
Enrolled in another employment program	275	3	63	1
Referred to support services	386	4	637	14
Other	3,453	38	2,545	56
Began subsidized employment	a		135	3
Moved from county	a		135	3
Total	8,988	99%[b]	4,542	100%

Source: Department of Jobs and Training.

[a]These data were not collected for the time period shown.

[b]Percentages do not total 100 percent due to rounding.

TABLE 5.22

WORK READINESS TERMINATIONS TO UNSUBSIDIZED EMPLOYMENT
BY AREA OF THE STATE

Area of the State	Total Terminations	Terminations to Unsubsidized Employment Number	Terminations to Unsubsidized Employment Percent
Ramsey County/St. Paul	174	24	14%
Metropolitan Suburban Counties	481	150	31
Balance of State	3,730	768	21
Total	4,385	942	21%

Source: Program Evaluation Division analysis of Work Readiness data, January through June 1986.

Of the 4,533 individuals terminated from Work Readiness from January through June 1986, 942 were terminated because they obtained unsubsidized employment. While high school dropouts constituted 32 percent of the overall terminations, they made up only 23 percent of the terminations to unsubsidized employment. High school graduates comprised 68 percent of the overall terminations, and 76 percent of the terminations to unsubsidized jobs.

Of the 1,439 high school dropouts terminated from Work Readiness during this time, only 15 percent found unsubsidized employment; 24 percent of the 3,064 high school graduates found unsubsidized employment.

b. Program Participation

Three measures of program participation are important to examine: the number of people who are referred to Work Readiness but do not register, the number of registrants not completing the program, and the number who both successfully and unsuccessfully complete the program.

There is no statewide figure on the number of people county welfare offices refer to Work Readiness programs, but who never register. To some extent, such a figure might indicate whether Work Readiness serves as an incentive to "get off welfare". Interviews with service providers around the state indicate that probably one-third of those referred never register with the program and thus discontinue public assistance. This number may be higher in the metropolitan area; Hennepin County indicated that nearly two-thirds of its referrals never register with Work Readiness.

Once registered, many people are terminated because of non-compliance. Table 5.21 also presents data on the number of registrants not complying with program requirements. Data collected on terminations for the first five months of the program (August through December 1985) show that 44 percent were terminated because they were not meeting participation requirements or could not be located. In addition, 38 percent were terminated for "other reasons", including, but not limited to, simply exhausting their eligibility.

Termination data collected by the Department of Jobs and Training since January 1986 are severely limited in that they classify too many terminations as "other" to provide meaningful information about why registrants were terminated. Of the 4,542 terminations in 1986, over 50 percent were for "other" reasons. "Other" includes individuals terminated because they did not meet participation requirements as well as those terminated after unsuccessfully participating in the program for two or six months. It is not possible to distinguish between those who "failed" the program, and those whom the program "failed".

Data collected by some service providers show large numbers of program dropouts and unsuccessful completions. For example, Rural CEP terminated 1,561 people from August 1985 through June 1986. Forty-four percent of the terminations were program dropouts or otherwise could not be located. An additional 21 percent simply exhausted their eligibility and were subsequently terminated.

It is important to distinguish between registrants who do not comply with program requirements and those who comply but never find a job. If the Legislature and the Departments of Jobs and Training and Human Services want to improve program effectiveness, more must be known about people failing in the program.

c. Adequacy of Services

Due to the limitations cited above, it is not possible to measure accurately the extent to which Work Readiness services can address the needs of all registrants. However:

- Two program characteristics tend to work against Work Readiness' ability to effectively serve registrants: program time limits and program spending allowances.

Depending upon where Work Readiness registrants live, they may be entitled to two or six months of services and benefits. Department of Human Services rules indicate that participation can be extended for four additional months of services and payments if the participants meet one of the following criteria:

a. live in a distressed county (defined annually as those counties with unemployment rates of 10 percent or more);

b. are medically certified as having borderline mental retardation;

c. exhibit signs of mental illness, but cannot be certified as such because the illness interferes with the certification process; or

d. cannot reasonably be expected to secure suitable employment given their work history, skills, education, physical and mental abilities, and the availability of suitable employment.

In 1986, five of the state's 87 counties had unemployment rates of ten percent or more.[25] Those counties have automatic six-month programs. The remaining 82 counties have two-month programs, although they may grant four-month extensions to participants.

- Policies for granting extensions vary substantially among counties. As a result, Work Readiness participants with the same characteristics can receive very different treatment in different parts of the state.

Most service providers recommend to their respective counties that four-month extensions be given to participants who are complying with program requirements, yet are simply unable to find work. Most counties abide by these recommendations.

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[25]Department of Jobs and Training, *Labor Force Participation*, August 26, 1986.

However, some counties, such as Stearns County, will not grant extensions after two months to participants identified as job-ready, but who simply cannot find work. Ramsey County makes an up-front determination during the initial assessment whether a Work Readiness registrant will be a two-month or six-month participant.

Most of the service providers whom we interviewed indicated that the time frame built into the program was a problem in serving people with severe barriers to employment. Two or even six months was not viewed as enough time to provide meaningful services before registrants exhausted their eligibility. Most providers indicated that registrants who were complying with program requirements and seriously seeking employment or skills improvement should not be cut off arbitrarily from assistance after six months. In contrast, most service providers had no qualms about terminating registrants not complying with program requirements. We suggest that:

- The Legislature should consider requiring Work Readiness programs to provide a minimum of six months' services to registrants who comply with program requirements but are unable to find work.

Service providers further questioned the adequacy of the program's funding structure, especially for registrants with severe barriers to employment. As indicated earlier, counties claim $50 in administrative costs and $100 in direct client costs per person for the first two months of the program, and an additional $100 for the next four months. While $250 may be adequate to provide services to registrants who are the most job-ready, it is inadequate for people with more substantial employment barriers. Service providers can provide more services to registrants by combining Work Readiness with other programs, such as JTPA and MEED. It should be noted, however, that doing so limits the amount of funds available in these programs for other hard-to-serve groups, such as potentially long-term AFDC recipients.

We recommend that:

- The Legislature should reexamine the adequacy of funding for the Work Readiness program.

It is possible to use Grant Diversion to provide subsidized jobs for Work Readiness registrants. According to the Department of Jobs and Training, one county has set up a Grant Diversion program to date. During our interviews around the state, we found that many service providers were unaware of the program. Those familiar with it said that the process involved too much work for the small amount of money involved (most grants are only $190) and was not worth the effort for two-month registrants.

Finally, counties can require Work Readiness registrants to participate in Community Investment Programs (CIPs), which offer temporary part-time subsidized work experience. However, during our interviews around the state, we found no county requiring Work Readiness registrants to participate in CIPs.

C. SUMMARY AND CONCLUSIONS

This section summarizes Minnesota's efforts to increase employment and reduce welfare dependency among its public assistance recipients. Our analysis of the state's major employment programs for welfare recipients produced the following findings:

- Both the quantity and the quality of employment services available for public assistance recipients vary considerably throughout the state.

- For the most part, employment programs directed at public assistance recipients offer job search assistance only. While such programs are undoubtedly appropriate for some recipients, they do not meet the needs of the more disadvantaged.

- Classroom training and most subsidized employment or on-the-job training must be obtained through other programs. But referrals to and enrollment in programs like JTPA or MEED are limited.

- At least two of the initiatives outlined in the 1985 Jobs Bill--Grant Diversion and Supported Work--have yet to be implemented on a large scale. There are few financial incentives for counties to implement the programs.

- Finally, there are limitations on the extent to which employment and training programs can reduce dependence on public assistance. In some areas of the state, local economic problems severely limit employment opportunities for even the most skilled workers. Furthermore, the welfare system itself contains many disincentives that make it difficult to move toward self-sufficiency.

In light of decreasing employment resources and increasing human needs, it is important that employment and training programs for public assistance recipients be as cost-effective and efficient as possible. We recommend that:

- The Department of Jobs and Training, the Department of Human Services, the Office of Full Productivity and Opportunity, and the Legislature should address two issues: (1) targeting program services better and (2) maximizing available financial resources.

1. TARGETING SERVICES

While it is unreasonable to expect immediate and persistent welfare savings from any program or strategy, cost-effectiveness can be improved by more carefully targeting services toward those who could benefit the most. Recent studies have tried to identify which public assistance groups benefit the most from various types of programs. With funds supplied by the U.S. Department of Human Services, Mathematica Policy

Research looked at factors that help predict long-term welfare dependency and the effectiveness of various intervention techniques. It found that successful intervention with potential long- term recipients was the most likely to prove cost-effective and yield long-term savings.[26]

Mathematica's analysis of the characteristics of long-term users indicates that the best measure of welfare dependency is the total time on welfare, or duration of welfare use, regardless of how many times recipients may have entered and left the system during that time. It found that the recipients most likely to become long-term users are women who have never married and have children under three years of age.

Mathematica then looked at the results of previous research on intervention techniques to identify what services seem to work best for different groups within the public assistance population. It found that:

- Evidence suggests that program effectiveness tends to be lower among women with higher levels of education, those with more recent work experience, and those whose youngest child is older.

- Relatively short-term, low-cost job search assistance programs lead to small increases in the earnings of the welfare family, but on the average lead to insignificant reductions in welfare payments.

- More extensive employment and training programs such as classroom training produce relatively large, and lasting, increases in earnings. Results were mixed, however, on the impact of these programs on welfare payments.[27]

This suggests that programs may be most effective at reducing welfare dependency among women with lower educational and employment skills and among those with young children. A companion report issued by the Legislative Auditor's Office suggests that targeting the more extensive employment and training services to the following groups could lead to larger welfare savings: (a) AFDC recipients who entered AFDC as teenagers, (b) recipients without a high school diploma or recent work experience, (c) recipients with young children, and (d) single never-married mothers.[28]

For the most part, Minnesota's current array of programming for public assistance recipients does not address these groups. Single women with

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[26]David T. Ellwood, *Targeting "Would-Be" Long-Term Recipients of AFDC*, Mathematica Policy Research, Inc., January 1986.

[27]Rebecca Maynard *et al.*, *A Design of a Social Demonstration of Targeted Employment Services for AFDC Recipients*, Mathematica Policy Research, Inc., June 13, 1986.

[28]Office of the Legislative Auditor, *op. cit.*

children under six years of age are currently exempt from participating in employment and training programs. The state's WIN program is a job search program and cannot effectively address the needs of high school dropouts or those with little recent work experience. Supported Work, which targets long-term AFDC recipients, remains largely unimplemented. And, as we have seen in previous chapters, the state's more extensive training programs (JTPA and MEED) tend to serve the more job-ready AFDC recipients.

2. UTILIZING AVAILABLE RESOURCES

To ensure the most efficient and effective use of federal, state, county, and private funds, employment and training programs for public assistance recipients should be more coordinated on two levels. First, as discussed above, recipients' needs must be more carefully matched with various program services. Second, to make state funds go further, other available financial resources should be utilized to a greater extent.

Because future funding for the Work Incentive program is uncertain, and because job search programs appear to serve the needs of the most job-ready at low cost, the state should consider expanding its participation in the federal Employment Search Program. Under this program, the federal government reimburses the state for 50 percent of its cost to operate a job search program for AFDC recipients. We already use this program to obtain reimbursement for the job search component of the Community Work Experience Program. Our state plan should be amended to expand the Employment Search Program statewide for job-ready AFDC recipients.

Another source of available funds is the new federal Food Stamp Employment and Training Program. Under this program, the federal government will reimburse the state 50 percent of its costs to operate an employment and training program for food stamp recipients. Services such as job search, work experience and work training are subject to reimbursement. The Departments of Jobs and Training and Human Services are examining this option to expand the resources available to Work Readiness.

We found some implementation problems with Grant Diversion for AFDC recipients; the state needs to reexamine the wage rates necessary to use Grant Diversion. The program makes sense and has the potential to expand available wage subsidy resources. Its use should be more strongly encouraged, if not required. Currently, however, there are few financial incentives to divert public assistance grants whenever possible before using state wage subsidy funds. To stretch state dollars further, Grant Diversion should be used first, whenever possible.

Synthesis and Discussion

Chapter 6

The 1985 Jobs Bill legislation was a step in the right direction. It realigned the responsibilities of state agencies, gave local governments a greater say in how certain program funds are spent, and established a state office to coordinate state employment and training programs. The legislation also established the reduction of welfare caseloads and unemployment rates as the primary goal of the state's employment and training programs. It also envisioned the development of a strategy for more effectively using available resources and for increasing coordination among and co-location of existing programs.

While state agencies have generally worked together well, implementation of the 1985 legislation has been slow to occur. Based on our review of Minnesota's major employment and training programs, the problems outlined below need attention.

A. STRATEGY

First, we find that:

- The state needs to develop a strategy for effectively using existing employment and training resources.

Currently, resources are concentrated on providing job search assistance and directed at people who are more job-ready. A number of different programs offer similar services. Existing programs fail to reach many of the more disadvantaged, including those who are or are likely to become long-term public assistance recipients. As a result, the current uses of available resources are not likely to have much impact on welfare caseloads.

Research suggests that among the most effective programs are those which provide more intensive services, such as classroom occupational training, and focus on more disadvantaged clients. In addition, research indicates that it makes sense to target potential long-term welfare recipients for services rather than primarily serving the more job-ready recipients.

The state's strategy also needs to recognize regional differences within Minnesota. In the Twin Cities metropolitan area, it is appropriate to emphasize occupational training and job search assistance because the economy is strong. In parts of the state with a depressed economy, these services are less useful because jobs are scarce. In depressed areas, economic development is needed before those programs can be successful. Wage subsidies and subsidized on-the-job training can be more useful programs in outstate Minnesota.

The Office of Full Productivity and Opportunity seems to be developing a strategy that makes sense. Although the details of its legislative proposals are not yet available, the coordinator's office appears to be addressing some of our concerns about the need for a state strategy.

B. COORDINATION

The state also needs to improve coordination among various programs. Currently, the amount of coordination is quite limited:

- Too many programs try to do the same thing--provide job search assistance to people who are job-ready or nearly so.

- Too few programs provide intensive services to clients lacking an adequate education or recent work experience.

Taken together, programs need to provide a greater continuum of services so that clients receive services appropriate to their needs. Currently, individual programs sometimes fail to refer clients to other programs with more appropriate services. Ideally, more job-ready clients should be assisted by the Job Service, while less job-ready clients should receive more intensive services like classroom or on-the-job training from programs such as JTPA.

Coordination is limited because different programs have different geographic boundaries and different legal authorization (state vs. federal). In addition, different programs may compete with one another and that competition can limit future cooperation. For example, in areas where JTPA administrators and local Job Service offices have competed for MEED contracts awarded by counties, the competition at times has been intense.

The 1985 legislation sought to address coordination problems by encouraging co-location of programs. There are two levels of co-location: one with all job programs co-located together and the other with all job programs co-located with county welfare offices.

Little co-location of either type has occurred. Some exists where county governments are administering both the JTPA and MEED programs, but co-location of Job Service and WIN offices with other programs occurs less frequently.

The limited amount of co-location is due in large part to two factors. First, the Jobs Bill did not provide any funds to encourage co-location. Service providers have little incentive to co-locate if it requires them to spend additional money to lease or buy different facilities or to underutilize existing facilities they own. Second, the co-location of Department of Jobs and Training offices is constrained by existing lease contracts. The department plans more co-location in the future as its five-year leases expire.

However, even where co-location of job programs has occurred, we found it often is little more than physical proximity. As long as different programs are managed by different agencies, the level of coordination is minimal.

As a result, it is extremely important that the mission of programs be clear and links among programs be strong. We recommend that:

- The state should develop a clear plan for the types of clients each program should serve and the types of services to be provided. In addition, each program should have clear guidelines for referring clients it does not serve to programs providing appropriate services.

The state could also attempt to place all programs under one management structure in each delivery area. Achieving this would be limited, however, by federal restrictions placed on JTPA.

C. PROGRAM CHANGES

We also recommend that a number of specific changes be considered in order to improve the effectiveness of employment and training programs. First, we recommend that:

- An increasing share of JTPA Title II-A funds should be used to prepare AFDC, General Assistance, and Work Readiness recipients for employment.

- JTPA resources allocated for AFDC recipients should be targeted to those who are likely to be long-term recipients.

- Much greater emphasis should be placed on tying remedial education to summer youth employment programs offered under JTPA Title II-B.

The Governor's Job Training Council has taken some steps to redirect JTPA resources. For example, the council has directed that half of the state's six percent incentive funds be awarded to service delivery areas based on their service to public assistance recipients. The council has also established public assistance recipients as the top priority group for the eight percent education coordination funds controlled by the state.

However, most JTPA funds are controlled by private industry councils established under federal law. Accomplishing a greater targeting of JTPA funds to potential long-term AFDC recipients probably will require additional strategies. For example, the state may need to provide additional resources as incentives for private industry councils to alter the manner in which JTPA funds are spent.

Second, we recommend that:

- The Legislature should address the reasons why most counties have not used AFDC Grant Diversion thus far.

Currently, counties have few incentives to set up and use Grant Diversion programs to subsidize private jobs for AFDC recipients. The costs of administering Grant Diversion exceed the county's share of AFDC benefits that are saved by placing a recipient in a job. In addition, the state has set the minimum wage rate required for Grant Diversion jobs higher than most available jobs in outstate Minnesota. As a result, service providers are using state MEED funds to subsidize jobs rather than leveraging federal funds through Grant Diversion. Ironically, MEED wage subsidies are often provided for jobs paying less than the minimum permitted for Grant Diversion.

Third, we recommend that:

- The Legislature should examine possible ways of improving the job creation potential of the MEED wage subsidy program.

MEED is better designed for job creation than most wage subsidy programs tried elsewhere, particularly tax credit schemes. However, it appears that fewer than half of all MEED-subsidized jobs represent actual employment growth rather than an employment shift or a windfall to an employer.

One option would be to limit the types of businesses that could receive a wage subsidy. For example, dropping retail businesses from the program probably would limit the extent to which increased employment at subsidized businesses is offset by decreased employment at competing businesses.

Fourth, we recommend that:

- The Legislature should clarify the role of programs providing temporary public jobs.

Confusion exists over the distinction between public MEED jobs and Community Investment Program (CIP) jobs. Some suggest that the intent of the Jobs Bill was that the only temporary public jobs funded by MEED would be in CIPs. Some counties prefer to use the state-funded MEED program because they must pay 25 percent of CIP wages.

The primary goal of public MEED, CIPs, and possibly Community Work Experience Programs is to provide work experience to welfare recipients or other clients who lack recent work experience. A temporary public job may ultimately enable a client to obtain a permanent private sector job.

Currently, however, little is done to track what happens to these clients after the temporary jobs end. As a result, little is known about the effectiveness of public work experience programs in Minnesota. Because research indicates that work experience programs often are ineffective, it is important that the Legislature ensure that state agencies track clients of these programs.

Finally, we recommend that:

- The Legislature should reexamine the minimum length of services provided to Work Readiness recipients and the adequacy of program funding.

D. OTHER FUNDING SOURCES

We recommend that:

- The state should maximize the use of federal funds.

This can occur in at least four areas. First, as previously mentioned, the state needs to find ways to expand the use of Grant Diversion. Leveraging federal funds through Grant Diversion when possible rather than using MEED would save money for the state.

Second, the federal government will fund 50 percent of the costs of an employment search program for AFDC recipients. This program should be expanded beyond its current use, which is limited to participants in Community Work Experience Programs. This would help free other resources to provide more extensive services to AFDC recipients.

Third, the federal government will also now provide 50 percent reimbursement for the new Food Stamp Employment and Training Program. The Department of Jobs and Training is considering using this program to help provide services to Work Readiness participants.

Finally, the state needs to make better use of the federally-funded Targeted Jobs Tax Credit program. Better and more aggressive marketing, as well as greater utilization of service providers besides the Job Service, would help maximize the benefits available to Minnesotans at little expense to the state.

E. EVALUATION AND MANAGEMENT INFORMATION

Over the next several years, the state will need to monitor and evaluate the effectiveness of employment and training programs to ensure that the goals of the Jobs Bill are met. This will require a clear directive as to what agency is responsible for evaluation, authority for that agency to

require necessary data collection and reporting, and better use of management information systems.

The appropriate agency to conduct evaluations, or at least direct their preparation, is the Office of Full Productivity and Opportunity. We recommend that:

- The Office of Full Productivity and Opportunity should begin to evaluate the state's employment and training programs.

In order for the office to evaluate programs, it will need authority to require data collection. Accordingly, we recommend that:

- The Legislature should provide the Office of Full Productivity and Opportunity with authority to require program administrators to collect and report data necessary for evaluation.

This authority should be used judiciously, of course. The office should balance the need to collect data for evaluation purposes with the need to minimize administrative costs.

Finally, we recommend that:

- The state, especially the Department of Jobs and Training, should make better use of existing management information systems.

For example, the department has collected a great deal of information on JTPA participants and the outcomes of their participation. However, the department does not have the capability to analyze the data. As a result, information that would be useful in evaluating the effectiveness of different JTPA services for various client groups is being collected but not used. The same is true of data the department is collecting from MEED service providers.

According to department management, some of these problems could be addressed if legislation is passed making state benefit calculations for unemployment insurance the same as federal standards. Conformity could free up some federal funds which could be used to improve computer operations and to meet, in part, the management information needs of other programs such as JTPA and MEED. However, conformity would result in delays in receiving unemployment insurance benefits for some Minnesotans.

F. LEGISLATIVE OVERSIGHT

Employment and training programs traditionally have not received much attention from the Legislature. Because many of the programs are federally funded, the review of these programs for state budgetary purposes has not been a priority.

We believe, however, that greater legislative oversight of these programs is needed for several reasons. First, greater oversight is needed to

assure that the state develops an appropriate strategy and that coordination among the various programs is achieved in a timely manner.

Second, as we recommended above, there is a current need for legislative redesign of certain programs. As the state learns more about the relative effectiveness of its programs, additional legislative changes likely will be needed.

The Jobs Bill was only a necessary first step. Program redesign and coordination will continue to be important issues in the next several years.

STUDIES OF THE PROGRAM EVALUATION DIVISION

Evaluation reports can be obtained free of charge from the Program Evaluation Division, 122 Veterans Service Building, Saint Paul, Minnesota 55155, 612/296-4708.

77-01 *Regulation and Control of Human Service Facilities*, February 1977
77-02 *Minnesota Housing Finance Agency*, April 1977
77-03 *Federal Aids Coordination*, September 1977
78-01 *Unemployment Compensation*, February 1978
78-02 *State Board of Investment: Investment Performance*, February 1978
78-03 *Department of Revenue: Assessment/Sales Ratio Studies*, May 1978
78-04 *Department of Personnel*, August 1978
79-01 *State-sponsored Chemical Dependency Programs*, February 1979
79-02 *Minnesota's Agricultural Commodities Promotion Councils*, March 1979
79-03 *Liquor Control*, April 1979
79-04 *Department of Public Service*, April 1979
79-05 *Department of Economic Security, Preliminary Report*, May 1979
79-06 *Nursing Home Rates*, May 1979
79-07 *Department of Personnel: Follow-up Study*, June 1979
80-01 *Board of Electricity*, January 1980
80-02 *Twin Cities Metropolitan Transit Commission*, February 1980
80-03 *Information Services Bureau*, February 1980
80-04 *Department of Economic Security*, February 1980
80-05 *Statewide Bicycle Registration Program*, November 1980
80-06 *State Arts Board: Individual Artists Grants Program*, November 1980
81-01 *Department of Human Rights*, January 1981
81-02 *Hospital Regulation*, February 1981
81-03 *Department of Public Welfare's Regulation of Residential Facilities for the Mentally Ill*, February 1981
81-04 *State Designer Selection Board*, February 1981
81-05 *Corporate Income Tax Processing*, March 1981
81-06 *Computer Support for Tax Processing*, April 1981
81-07 *State-sponsored Chemical Dependency Programs: Follow-up Study*, April 1981
81-08 *Construction Cost Overrun at the Minnesota Correctional Facility - Oak Park Heights*, April 1981
81-09 *Individual Income Tax Processing and Auditing*, July 1981
81-10 *State Office Space Management and Leasing*, November 1981
82-01 *Procurement Set-Asides*, February 1982
82-02 *State Timber Sales*, February 1982
82-03 *Department of Education Information System*,* March 1982
82-04 *State Purchasing*, April 1982
82-05 *Fire Safety in Residential Facilities for Disabled Persons*, June 1982
82-06 *State Mineral Leasing*, June 1982

83-01 *Direct Property Tax Relief Programs*, February 1983
83-02 *Post-Secondary Vocational Education at Minnesota's Area Vocational-Technical Institutes*,* February 1983
83-03 *Community Residential Programs for Mentally Retarded Persons*,* February 1983
83-04 *State Land Acquisition and Disposal*, March 1983
83-05 *The State Land Exchange Program*, July 1983
83-06 *Department of Human Rights: Follow-up Study*, August 1983
84-01 *Minnesota Braille and Sight-Saving School and Minnesota School for the Deaf*,* January 1984
84-02 *The Administration of Minnesota's Medical Assistance Program*, March 1984
84-03 *Special Education*,* February 1984
84-04 *Sheltered Employment Programs*,* February 1984
84-05 *State Human Service Block Grants*, June 1984
85-01 *Energy Assistance and Weatherization*, January 1985
85-02 *Highway Maintenance*, January 1985
85-03 *Metropolitan Council*, January 1985
85-04 *Economic Development*, March 1985
85-05 *Post Secondary Vocational Education: Follow-Up Study*, March 1985
85-06 *County State Aid Highway System*, April 1985
85-07 *Procurement Set-Asides: Follow-Up Study*, April 1985
86-01 *Insurance Regulation*, January 1986
86-02 *Tax Increment Financing*, January 1986
86-03 *Fish Management*, February 1986
86-04 *Deinstitutionalization of Mentally Ill People*, February 1986
86-05 *Deinstitutionalization of Mentally Retarded People*, February 1986
86-06 *Public Employee Pensions*, May 1986
87-01 *Aid to Families with Dependent Children*, January 1987
87-02 *Water Quality Monitoring*, February 1987
87-03 *Financing County Human Services*, February 1987
87-04 *Employment and Training Programs*, March 1987

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*These reports are also available through the U.S. Department of Education ERIC Clearinghouse.